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GREENS CREEK EXCHANGE ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON
PUBLIC LANDS, NATIONAL PARKS AND FORESTS

OF THE

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

S. 2273

ENTITLED THE "GREENS CREEK EXCHANGE ACT"

JUNE 28, 1990

Printed for the use of the
Committee on Energy and Natural Resources

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GREENS CREEK EXCHANGE ACT

THURSDAY, JUNE 28, 1990

U.S. Senate,
Subcommittee on Public Lands,
National Parks and Forests,
Committee on Energy and Natural Resources,
Washington, DC.

The subcommittee met, pursuant to notice, at 2 p.m. in room SD-366, Dirksen Senate Office Building, Hon. J. Bennett Johnston, chairman of the full committee, presiding.

OPENING STATEMENT OF HON. J. BENNETT JOHNSTON, U.S. SENATOR FROM LOUISIANA

The Chairman. The hearing will come to order.

The purpose of today's hearing is to receive testimony on S. 2273, the Greens Creek Exchange Act. In 1980, the Congress passed ANILCA, which established a number of conservation system units in Alaska, including the Admiralty Island National Monument and the Tongass National Forest in southeast Alaska. Most of the 921,000 acre Monument was designated as wilderness and is therefore subject to the protections of the Wilderness Act.

In the non-wilderness portion of the monument, timber harvesting is prohibited. And with a few specific exceptions, no mining or mineral leasing is allowed.

However, ANILCA did provide for exploration permits on certain unperfected claims within Admiralty Island National Monument, including those in the area of Greens Creek for a period of 5 years. During the exploration process, a major ore body was identified and significant deposits of silver, gold, zinc and lead were discovered. The Greens Creek mine, owned by the Greens Creek Joint Venture, subsequently began operation early in 1987. The life of the mine with its current ore body is expected to be approximately 10 years.

The Greens Creek Joint Venture believes that much of the unexplored land around the existing mine is highly prospective and capable of containing additional valuable minerals. However, it is precluded from exploration by the provisions of ANILCA. For this reason, the Joint Venture has been very interested in finding a way to explore and develop this surrounding area.

Most recently, the Greens Creek Joint Venture has worked with the Sealaska Regional Corporation to obtain approval for a land exchange by which Sealaska would become the owner of federally owned subsurface lands surrounding the existing Greens Creek claims. Sealaska could then lease the subsurface to a joint venture for exploration and development purposes.

S. 2273 would expedite this process by legislatively directing the exchange of 18,839 acres of subsurface in the area of Greens Creek owned by the United States for approximately 12,000 acres of surface and subsurface owned by Sealaska Corporation elsewhere in the Tongass.

In addition, the United States would receive from Sealaska a value equalization payment of 10 percent of any net income received by Sealaska from the lease of minerals removed or sold from the Greens Creek lands. The value equalization payment will be deposited into an Admiralty Island inholding acquisition fund established by the legislation to be available for the purchase of privately owned inholdings in the Admiralty Island National Monument.

Since the bill was introduced, Sealaska and the Forest Service have continued negotiations on a Greens Creek land exchange. While no final agreement has been reached, I understand that most of the substantive issues have been resolved. I am anxious to hear more from the Forest Service regarding the status of these negotiations as well as the status of the negotiation on a related exchange in the area of Lake Florence.

And let me digress to say that I understand that they are getting reasonably close on Lake Florence, and I want to, just in case I have to leave before we get to that issue, I want very strongly to urge the Forest Service and all others who are dealing with that land exchange in Lake Florence to try to bring that to fruition because I think that the protection of those forest lands around Lake Florence is a real item here. And if they could be wrapped into this package it might well make it very viable.

The Greens Creek exchange provided for in S. 2273 is unique in many respects: the proximity of the lands to an active mine, the 10 percent value equalization payment, the creation of a special Admiralty Island inholding acquisition fund and the complicated ownership pattern on Admiralty Island.

Because of these and other issues, there have been many tough and legitimate questions raised regarding this exchange. I sincerely hope that those questions are answered thoroughly today so that the Committee and the Congress are in a position to make a thoughtful and informed decision regarding this issue.

I would like to welcome all of the witnesses who will be testifying today, particularly those who made the long trip from Alaska. Because our time is limited, I would ask you to limit your oral testimony to five minutes so that we will have time for questions.

The hearing record will remain open for two weeks to receive additional comments.

[The text of S. 2273 follows:]

II

101st CONGRESS
2d Session

S. 2273

Entitled the "Greens Creek Exchange Act".

IN THE SENATE OF THE UNITED STATES

March 9 (legislative day, January 23), 1990

Mr. Murkowski (for himself and Mr. Hatfield) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

---

A BILL

Entitled the "Greens Creek Exchange Act".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Section 1. This Act may be cited as the "Greens Creek Exchange Act".

TITLE I—PURPOSES AND DEFINITIONS

PURPOSES

Sec. 101. It is the purpose of this Act, consistent with the purposes of the Alaska Native Claims Settlement Act and the Alaska National Interest Lands Conservation Act, to enhance opportunities to eliminate private inholdings within the Tongass National Forest through voluntary exchanges and acquisitions, and to facilitate and encourage economic development of the mineral deposits located in the Greens Creek area of Admiralty Island National Monument.

DEFINITIONS

SEC. 102. As used in this Act:

(1) The term "the Act" means the Alaska National Interest Lands Conservation Act (94 Stat. 2371), as amended.

(2) The term "the Settlement Act" means the Alaska Native Claims Settlement Act (85 Stat. 688), as amended.

(3) The term "Secretary" means the Secretary of Agriculture.

(4) The terms "lands" has the same meaning as specified in section 102 of the Act.

(5) The terms "subsurface estate" and "surface estate" shall have the same meaning as such terms have when used in the Settlement Act.

(6) The term "Sealaska" means Sealaska Corporation, an Alaska Native regional corporation (as such term is defined in section 102(7) of the Act) existing under the laws of the State of Alaska.

(7) The term "Greens Creek Joint Venture" means the mining venture that owns the Greens Creek mine and core or perfected mineral claims, pursuant to

section 504 of the Act, in the Greens Creek area of Admiralty Island National Monument.

(8) References in this section to Sealaska and the Greens Creek Joint Venture include those entities and their successors and assigns.

(9) The term "Greens Creek lands" means the following described lands:

COPPER RIVER MERIDIAN

Township	Range	Section	Legal description
43S	65E	25	SW¼NE¼, W½, SE¼.
		26	All.
		27	E½, fractional.
		35	All.
		36	All.
			Containing approximately 2,529 acres.
43S	66E	25	All.
		29	SW¼SW¼ excluding those Big Sore and Mariposite Claims that locate within the SW⅓SW¼ north of the monument boundary.
		30	S½, excluding those Big Sore and Mariposite claims or portions thereof that locate within the S½, sec. 30 north of the monument boundary.
		31	All, excluding MS 1032.
		32	All, excluding MS 1032 and those Big Sore and Mariposite claims that locate within sec. 32 north of the monument boundary.
		33	All.
		34	All.
		35	All.
		36	All, excluding lands within the National Monument Wilderness boundary.
			Containing approximately 4,457 acres.
44S	65E	1	All.
		2	All.
		11	E½E½.
		12	All.
		13	E½.
			Containing approximately 2,054 acres.
44S	66E	1	All, excluding lands within the National Monument Wilderness boundary.

4

COPPER RIVER MERIDIAN—Continued

Township	Range	Section	Legal description
		2	All.
		3	All.
		4	All.
		5	All.
		6	All.
		7	All.
		8	All, excluding Big Sore 1305.
		9	All, excluding Big Sore 902–906, 1006, and 1007.
		10	All, excluding Big Sore 902–906.
		11	All, excluding lands within the National Monument Wilderness boundary.
		12	SW¼, excluding lands within the National Monument Wilderness boundary.
		13	W½, excluding lands within the National Monument Wilderness boundary.
		14	All, excluding lands within the National Monument Wilderness boundary.
		15	N½, excluding lands within the National Monument Wilderness boundary.
		16	N½, excluding lands within the National Monument Wilderness boundary.
		17	All.
		18	All.
		19	All.
		20	W½, excluding lands within the National Monument Wilderness boundary.
			Containing approximately 9,799 acres.
			Aggregating approximately 18,839 acres.

(10) The term "Katlian Bay and Charcoal and Alice Islands lands" means the following described lands:

KATLIAN BAY

Copper River Meridian

Township	Range	Section	Legal description
54S	63E	25	N½, fractional.
			Containing approximately 245 acres.
54S	64E	19	All, fractional.

KATLIAN BAY—Continued

Copper River Meridian

Township	Range	Section	Legal description
		20	Fractional, excluding United States survey 2117 (Homestead Entry Survey 228).
		21	All.
		22	W¼.
		28	W¼.
		29	Fractional, excluding United States Survey 2117 (Homestead Entry Survey 228).
		30	N⅓, fractional.
		32	E½.
			Containing approximately 2,945 acres.
			Aggregating approximately 3,190 acres.
			CHARCOAL AND ALICE ISLANDS.—United States Survey Number 3926, Alaska, lots 169, 170, 172 and 173, situated on Charcoal and Alice Islands, approximately ½ mile westerly of Sitka, Alaska.
			Containing 33.22 acres, as shown on plat of survey accepted June 11, 1984.

(11) The term "Port Houghton/Sanborn Canal lands" means the following described lands:

COPPER RIVER MERIDIAN

Township	Range	Section	Legal description
52S	77E	29	Fractional.
		30	S½, fractional.
		31	W½, fractional.
		32	N½, fractional.
			Containing approximately 1,364 acres.
53S	77E	2	Fractional.
			Containing approximately 630 acres.
			Aggregating approximately 2,000 acres.

(12) The term "Hydaburg subsurface lands" means the approximately four thousand two hundred

and twenty-two subsurface acres east of Hydaburg subjacent to lands relinquished by the Haida Corporation pursuant to section 3(a) of the Haida Land Exchange Act of 1986 (Public Law 99–664), the legal description of which lands is:

COPPER RIVER MERIDIAN

Township	Range	Section	Legal description
77S	84E	1	W½SW¼.
		2	S½NE¼, S½.
		3	S½.
		10	E½E½, SW¼SE¼.
		11	All.
		12	NW¼NW¼.
		13	All.
		14	All.
		15	All.
		22	N½NE¼.
		24	NW¼, N½NE¼, lot 1, lot 2, lake (IC-272).
		25	SE¼NW¼, NW¼SE¼, lot 3, lot 6.
		36	S½NE¼SE¼, S½N½NE¼SE¼, lot 6.
			Containing approximately 4,219 acres.
77S	83E	4	Lot 2.
			Containing approximately 3 acres.
			Aggregating approximately 4,222 acres.

(13) The term "Nutkwa Lagoon lands" means the approximately one thousand eight hundred and sixty-four acres of surface lands, the legal description of which lands is:

COPPER RIVER MERIDIAN

Township	Range	Section	Legal description
78S	85E	1	All, fractional.
		2	All, fractional.

COPPER RIVER MERIDIAN—Continued

Township	Range	Section	Legal description
		11	All, fractional.
		12	All, fractional.
		13	All, fractional.
		14	All, fractional.
			Containing approximately 1,864 acres.

TITLE II—GREENS CREEK SUBSURFACE EXCHANGE

EXCHANGE TERMS

SEC. 201. Section 506 of the Act is amended by adding at the end thereof the following new subsection:

"(e)(1) In exchange for the consideration set forth in paragraph (2), and provided there is on file with the Secretary an exploration agreement between Sealaska and the Greens Creek Joint Venture respecting minerals located in the Greens Creek lands, there is hereby granted to Sealaska, subject to valid existing rights, the subsurface estate in the Greens Creek lands.

"(2) In exchange for the conveyance described in paragraph (1), Sealaska shall convey to the United States concurrent with the grant of Greens Creek lands—

"(A) all of its right, title, and interest in and to the subsurface estate in the Katlian Bay and Charcoal and Alice Islands lands;

"(B) all of its right, title, and interest in and to the subsurface estate in the Port Houghton/Sanborn Canal lands;

"(C) all of its right, title, and interest in and to the approximately four thousand two hundred and twenty-two acres of the Hydaburg subsurface lands;

"(D) all of its right, title, and interest in and to the Nutkwa Lagoon lands; and

"(E) a value equalization payment to be made by Sealaska, consisting of 10 per centum of any net income received by Sealaska from minerals removed or sold from the subsurface estate conveyed by the United States to Sealaska under paragraph (1): *Provided*, That Sealaska may deduct from revenues it receives from the subsurface estate patented to it pursuant to section 7(i) of the Settlement Act (43 U.S.C. 1606(i)), amounts equal to the value equalization payments made by it pursuant to this subparagraph, notwithstanding any agreement among the regional corporations to the contrary.

"(3) Any and all moneys paid to the United States by Sealaska as a value equalization payment pursuant to subparagraph (e)(2)(E) shall be tendered to the Secretary to be covered semiannually into the Admiralty Island Inholding Acquisition Fund in the Treasury of the United States, which fund is hereby established and is hereafter referred to as the "Fund". Revenues covered into the Fund shall be available for obligation and expenditure by the Secretary for the authorized acquisition of privately owned inholdings in the Admiralty Island National Monument. If all private inholdings in the Admiralty Island National Monument have been acquired, or if none are available for purchase, the Forest Service may use the assets in the Fund to acquire private inholdings voluntarily made available for acquisition by their owners located in other portions of the Tongass National Forest. The Secretary is authorized to deposit such funds in an escrow account, or to have such funds held in an escrow fund, to be utilized to achieve the objectives set forth in this subsection.".

TITLE III—ADMINISTRATIVE PROVISIONS

NATIONAL ENVIRONMENTAL POLICY ACT

SEC. 301. Section 910 of the Act shall apply to any action taken pursuant to this section for purposes of the National Environmental Policy Act of 1969 (83 Stat. 852), as amended.

SETTLEMENT ACT LANDS

SEC. 302. Any lands or interests therein conveyed to an Alaska Native corporation under this Act shall be deemed lands and interests conveyed pursuant to the Settlement Act.

SUBSURFACE ACCESS

SEC. 303. Sealaska shall have such rights of access to the subsurface estate conveyed to Sealaska by the United States under section 201 as are set forth in section 1110(b) of the Act, in addition to such rights of access as may exist under other laws and regulations.

MONUMENT COMPATIBILITY

SEC. 304. (a) Upon acquisition of the subsurface estate in the Greens Creek lands, Sealaska shall be permitted to carry out activities related to the exercise of rights so acquired in accordance with reasonable regulations promulgated by the Secretary to assure that such activities are compatible, to the maximum extent feasible, with the purposes for which the Admiralty Island National Monument was established.

(b) The Secretary is authorized to issue surface leases to Sealaska in accordance with section 504(f) of the Act.

SAVINGS PROVISIONS

SEC. 305. Nothing in this section shall be deemed or construed to—

(1) require a subsistence determination pursuant to section 810 of the Act or other provision of law;

(2) be a cloud of title on lands or interests therein owned on the date of enactment of this Act by Sealaska or the Greens Creek Joint Venture, nor shall this section be construed in any way as affecting the

existing ownership or as limiting the use of lands owned by Sealaska or the Greens Creek Joint Venture on the date of enactment, or in any way shall it be construed to affect the valid existing rights of Sealaska, the Greens Creek Joint Venture or any other party;

(3) limit the authority of the Secretary to enter into land exchanges with either Sealaska or the Greens Creek Joint Venture pursuant to existing exchange authorities;

(4) be a taking by the United States of lands which as of the date of enactment of this section are not the property of the United States; or

(5) create any cause of action or remedy in any court by any party against the United States, Sealaska, or the Greens Creek Joint Venture.

○

The **Chairman**. Let me say on a related matter that when this matter was up before the Senate, there were statements about Sealaska's allegedly excessive payments to officers and to its board of directors, which I understand were factually not correct. And I want to give Sealaska a chance to respond, if you would like to testify today on that or if you would like to submit something for the record.

I believe that there is a strong case to be made for Sealaska, and I do not want this Committee or legislation which we handle to be the vehicle to give somebody a bad reputation when they do not deserve one. So just if you want to present that for the record or whatever you want to do on that, we would be glad to receive it.

With that, let me ask if there are comments to be made by my colleagues—I think Senator Garn was here first and has a passing interest in this legislation.

Senator Garn.

STATEMENT OF HON. JAKE GARN, U.S. SENATOR FROM UTAH

Senator **Garn**. Thank you, Mr. Chairman. And at the outset, let me thank you and the subcommittee chairman, Senator Bumpers, for scheduling this hearing on an expedited basis.

This hearing is a result of the discussions that took place during floor consideration of the Tongass National Forest Bill on June 12 and 13.

During that floor debate, I introduced an amendment regarding the Greens Creek land exchange. That amendment would authorize a land exchange which is envisioned in S. 2273, the original Murkowski bill, and provide for its execution by the U.S. Forest Service and the Sealaska Native Regional Corporation.

Since the formal hearing on the land exchange had not been held, the Senate agreed to a provision, in lieu of adopting the amendment, which authorizes the Forest Service to negotiate with the Sealaska Corporation to produce a land exchange to the Congress within 60 days. As part of the agreement reached at that time, Senator Johnston agreed to schedule a hearing on the Greens Creek land exchange which would permit further consideration of the exchange in the Tongass bill conference committee that will occur later.

This hearing today will create the necessary record for full consideration of the Greens Creek land exchange in the conference committee.

It is my intention and desire that the Greens Creek land exchange be authorized in the final Tongass National Forest bill. A provision authorizing the land exchange would replace the current proposal in the Senate version of H.R. 987. By the time the conference committee meets, the Forest Service and Sealaska will be far enough along in the negotiations to justify and permit Congress to authorize the exchange.

The full details of the land exchange will be discussed in the hearing today, but this is an exchange that, as I understand, the Forest Service generally believes is an equal value exchange. The exchange takes into account the public interest values involved in the acquisition of certain lands that the Congress in the past has found to have special value in southeast Alaska. The exchange would provide for the conveyance from the Forest Service to Sealaska of the subsurface rights surrounding the Greens Creek mine.

The other land interests in the exchange include a combination of surface and subsurface interests held by the Sealaska Corporation. The exchange also ensures the exploration and potential development of the Sealaska subsurface lands by the Greens Creek Joint Venture. I understand that this exchange has been agreed to by the parties involved after many years of discussion.

It is my hope that during this hearing the various witnesses will focus their testimony on the current land exchange proposal. Senator Murkowski has certainly done the Committee a great service by introducing S. 2273. But the provisions of his bill as introduced have been superseded by the current land exchange proposal between the Forest Service and Sealaska. The terms are outlined generally in the letter from the Chief of the Forest Service to Senator Murkowski, dated June 11, 1990. The Committee has a copy of that letter and I would ask, Mr. Chairman, that that letter be included in the record.

The CHAIRMAN. Without objection.

Senator GARN. I also ask that a copy of my June 12 floor statement on this matter during consideration of H.R. 987 be included in the record.

The CHAIRMAN. Without objection.

Senator GARN. Let me once again state my specific interest in this land exchange. Kennecott Corporation is the majority owner of the Greens Creek Mine on Admiralty Island in Alaska. It also one of the largest employers in my state of Utah, where it employs over 2,300 people. The success of Kennecott at Greens Creek would bolster Kennecott's financial strength and permit it to explore and develop other mineral deposits throughout Alaska and the Nation. Kennecott's well-being contributes to the Utah economy as well.

Therefore, my state has a direct interest in the approval of the Greens Creek land exchange, and it is my intention to continue to pursue its inclusion as part of the Tongass National Forest Bill when the conference committee meets to resolve the differences between the House and the Senate bills.

While my focus in this hearing is on the Greens Creek land exchange, I understand that the Lake Florence land exchange will also be discussed. There are a number of different factors involved at Lake Florence which distinguish it from Greens Creek. The principle difference is the timber harvest impacts at issue. However, I am hopeful that the Lake Florence exchange can be agreed to among all interested parties so that it, too, can be included as part of the final Tongass bill.

Again, I wish to thank you, Mr. Chairman, and also the chairman of the Subcommittee for convening this hearing so rapidly; and let me thank all of those who are willing to participate so that we can gather a proper record.

I look forward to working with Senator Murkowski and all the members of the conference involved in this matter so that we can conclude a final Tongass bill this year.

Thank you, Mr. Chairman.

[The material submitted by Senator Garn follows:]

United States Department of Agriculture | **Forest Service** | **Washington Office** | **14th & Independence SW**
P.O. Box 96090
Washington, DC 20090-6090

Reply To: 1510

Date: June 11, 1990

Honorable Frank H. Murkowski
United States Senate
Washington D.C. 20510

Dear Senator Murkowski:

In response to your recent inquiry, we believe the Forest Service and Sealaska Corporation have reached agreement on the essential elements of a land exchange involving the Greens Creek mine on Admiralty Island.

As indicated in the enclosed letter of June 8 from Forest Supervisor Gary Morrison to Mr. Robert Loescher of the Sealaska Corporation, we support full development of the Greens Creek mineral deposit through conveyance of minerals to private ownership utilizing land exchanges that would consolidate Federal ownership within the Admiralty Island National Monument.

The essential elements of the agreement include:

(1) Conveyance to Sealaska from the United States of approximately 32,700 acres of subsurface estate, including 18,839 acres at Greens Creek as well as other subsurface lands, consistent with the purposes of ANCSA and subject to valid existing rights.

(2) Conveyance to the United States from Sealaska of approximately 33,300 acres of subsurface estate including, at some future date, the 23,072 acres of Sealaska subsurface at Cube Cove.

(3) Conveyance to the United States from Sealaska of 2,484 acres at Nutkwa Lagoon adjacent to an area of National Forest land proposed for wilderness designation in H.R. 987, as passed by the House. Sealaska would reserve locatable minerals subject to the conditions of 36 CFR 251.15 and with access subject to ANILCA Section 1110(b).

(4) Receipt by the United States of 10 percent of any gross receipts by Sealaska as a result of minerals production from the lands to be conveyed to Sealaska at Greens Creek.

As Supervisor Morrison points out in the enclosed letter, there are several details yet to be resolved. Negotiations are continuing to complete a detailed, written land exchange agreement. We believe the long-term interests of the public and the parties directly involved would be best served by completing such a written agreement.

Once the agreement is completed, it could then be ratified by the Congress. We will keep you informed of our progress in completing a written agreement.

In summary, we support the basic purposes of the Greens Creek exchange, and we are pleased with the progress of our recent negotiations with Sealaska. However, we recommend that the Congress defer legislative action until the completion of a written land exchange agreement. If, however, Congress decides to proceed with legislation at this time, the exchange should be contingent upon a written land exchange agreement that is acceptable to the Secretary of Agriculture and that addresses the issues raised in Mr. Morrison's June 8 letter to Mr. Loescher.

An identical letter is being sent to Senator Stevens and Congressman Young.

Sincerely,

for F. DALE ROBERTSON
Chief

Enclosure

STATEMENT OF SENATOR GARN IN SPONSORING

THE PROPOSED SEALASKA/GREENS CREEK LAND EXCHANGE AMENDMENT

JUNE 12, 1990

MR. GARN: Mr. President, the Kennecott Corporation is the majority owner (53%) of the Greens Creek Mine on Admiralty Island in Alaska. Kennecott is also one of the largest employers in the State of Utah. In my state alone the company employs over 2300 people. Success of Kennecott at Greens Creek would bolster the company's financial strength and permit it to explore and develop other mineral deposits throughout Alaska and the nation. Any mining activity which contributes to the long-term health of Kennecott contributes to the Utah economy as well. Therefore, I am offering a land exchange amendment which paves the way for the continued exploration and development of the Greens Creek mine area.

One issue for the Senate to consider in this proposal is whether this would be an exchange for equal value between the Sealaska Corporation and the United States? In answering this, the Senate should consider the tangible and intangible values of land to be received by each party. Under the exchange, Sealaska would receive over 18,000 acres of subsurface lands adjacent to the Greens Creek Mine, and over another 13,000 acres of lands elsewhere in the Tongass National Forest. Sealaska is currently negotiating with Kennecott an agreement to conduct exploration and production of any economic mineral deposits on the adjacent lands. Both Sealaska and Kennecott believe that economically recoverable deposits of silver, gold, lead, and zinc may exist on these lands, but this view is only an educated guess based on the geologic structure underlying the Greens Creek Mine. The value of the mineral deposits on these lands is not known by the Government or any private party and will not be known until exploration occurs. Sealaska is therefore taking a gamble in deciding to trade lands it currently owns for the remainder of the Greens Creek Mine area and Kennecott would bear the costs of further exploration.

In exchange, the United States would receive over 33,000 acres of subsurface lands in the Tongass National Forest. This land is valuable because it represents some of the remaining private inholdings in the Tongass. The Government and the environmental community have long coveted privately held lands in an effort to consolidate the Tongass into Federal ownership. The exchange serves that purpose. Additionally, Sealaska would transfer ownership of over 2400 acres of surface estate surrounding Nutkwa (Nu'kwa) Lagoon. This area has long been held out as an environmental priority for consolidation within the proposed conservation unit because of its scenic qualities. Sealaska has harvestable timber at Nutkwa valued in the millions of dollars which it trades as part of this proposed exchange. Sealaska is therefore exchanging lands of known economic and aesthetic value for lands with a speculative mineral value. As part of this exchange, Sealaska would grant a valuable future interest in the subsurface estate underlying the Cube Cove drainage on Admiralty Island. The ownership interests of the United States in the subsurface would automatically rest upon a subsequent agreement with the Shee Atika Corporation transferring the Cube Cove surface estate to the Government. The Forest Service has been seeking to consolidate Cube Cove in the conservation unit for years. This future interest in the Cube Cove subsurface estate brings the Federal Government closer to realizing that goal.

Additionally, the exchange includes a unique revenue sharing provision which requires Sealaska to give the United States Government ten percent of all payments received for exploration and potential development of its lands in the Greens Creek Mine area. This revenue is to form an Admiralty Island Inholding Acquisition Fund to be used solely for other land acquisitions by the Government in the Tongass National Forest. This provision further tips the balance in favor of finding an equal value exchange.

Notwithstanding the valuation issue, the Senate must also consider whether the exchange itself would accomplish other national interest objectives. There are many reasons for approval of this land exchange. Further consolidation of the Tongass National Forest is achieved. The regional economy of Southeast Alaska would benefit from potentially longer term mining activity at Greens Creek, and a portion of those benefits would be passed onto the Federal Government through increased tax revenues. Further discoveries of silver, gold, zinc, and lead would serve to reduce the reliance of our nation on foreign sources of valuable minerals. For all these reasons, Senate approval of the proposed land exchange should occur.

My colleagues need to be aware that the United States Forest Service, in a letter to Sealaska on June 8, 1990, "supports full development of the Greens Creek mineral deposit through conveyance of minerals to private ownership utilizing land exchanges." Later in that letter, in describing the land exchange contained in my amendment, the Forest Service states, "we now have the essential elements of an exchange. Because of this progress, our respective lawyers are now negotiating the terms of an exchange agreement... We fully expect the Congress will ultimately need to ratify our agreement." A copy of the complete Forest Service letter is attached for the record. Obviously, there are implementing issues that need to be resolved, but these would occur when the Forest Service and Sealaska actually finalized the land exchange authorized by this amendment.

The Greens Creek Mine entered into production at the beginning of 1989. It currently employs 250 people with an annual payroll of $16 million. Over $170 million has been spent in bringing the mine into production. During the ten year production life, the Mine should process annually 6.4 million ounces of silver, 30,000 ounces of gold, 25,000 tons of zinc, and 9,000 tons of lead. This Mine represents the culmination of almost two decades of effort to bring it into production.

Unfortunately, the Greens Creek Mine lost over $8 million during its first year of operation in 1989, and is projected to lose over $3 million in 1990. Contrary to the belief of some, this mine is not a "cash cow", and for it to be successful, it will be essential to extend its mine life through a land exchange as proposed here, in order to allow for additional exploration and potential development.

The high costs involved in developing the mine is the result of environmental requirements. It is an underground mine and its operation has not been challenged by any environmental group. What this amendment would do is permit further exploration in the area which could lead ultimately to further underground development if economic mineralization is discovered. All future development would occur with the consent of the Forest Service, since the Forest Service would continue to own the surface acreage of the entire area. It is a fact that the Greens Creek mine has been held out by all parties involved, including the Forest Service and environmentalist groups, as a model mine which has been developed and operated in a conservation area without damage to the environment.

Although Kennecott, a Utah corporation, is the operator and majority owner of the Mine, it is currently involved in a joint venture with Hecla Mining Company (28%), the CSX Corporation (13%), and Exalas Resources (6%). The Greens Creek Mine is a good example of mining companies throughout the West banding together to bring investment and employment opportunities to another Western state, Alaska. I ask the Senate to join in this cooperative spirit by approving the Greens Creek land exchange.

The CHAIRMAN. Thank you, Senator Garn.

Senator Wallop.

STATEMENT OF HON. MALCOLM WALLOP, U.S. SENATOR FROM WYOMING

Senator WALLOP. Mr. Chairman, thank you and let me add my thanks to both you and Senator Bumpers for holding this hearing.

After many years of negotiations, Sealaska and the Forest Service have reached an agreement in principle on the exchange of lands in Greens Creek, Cube Cove, and other parts of the Tongass, which satisfies, in my opinion, the public interest and represents equal value for all parties.

Negotiations between the parties for a comprehensive exchange package have produced significant results.

From the standpoint of the Federal Government, the most recent exchange proposals constitute a substantial improvement over the original exchange proposal in S. 2273.

It now provides several million dollars of additional timber values at Nutkwa Lagoon and gives the Federal Government eventual title to the entire Cube Cove subsurface. And it eliminates another subsurface in holding on Admiralty Island. It is also an acre-for-acre subsurface exchange unlike the subsurface exchange in S. 2273 through which the government would have suffered a 9,000 acre deficit.

In addition, the 10 percent value equalization payment will be calculated against gross receipts as opposed to net income.

The question then arises as to whether the United States is being fairly compensated for the Greens Creek lands even with the 10 percent value-equalization payments.

While that may well be a legitimate question, it is clearly not the only question. A reasonable, rational and prudent person will have to observe that there is no dollar benefit whatsoever to the Federal Government without the exchange. In addition, the aesthetic value to the Federal Government and the public of the acquisitions can never be precisely quantified.

There are additional tangible and intangible benefits should the exchange be completed. Further consolidation of Tongass National Forest is achieved. The regional economy of Southeast Alaska would benefit from potentially longer-term mining activity at Greens Creek, and a portion of those benefits would be passed on to the Federal Government through increased tax revenues. Moreover, the exchange will increase employment opportunities within the area, benefit all Alaska Natives through the 7(i) sharing process as directed by the Alaskan Native Claims Settlement Act, and increase local and state tax revenues.

Further discoveries of silver, gold, zinc and lead would serve to reduce the reliance of our Nation on foreign sources for these valuable minerals.

Last, but not least, the Lake Florence exchange of the surface and timber would result in the preservation of uncut forest within the National Monument, a very distinct benefit to the Federal Government which likely exceeds mere land valuation.

Mr. Chairman, the controversy that S. 2273 seeks to resolve began in the 1970s. It is time now to move forward in an expeditious manner to resolve this situation, and I urge my colleagues to do so. Thank you.

The CHAIRMAN. Thank you very much, Senator Wallop.

The distinguished Senator from Alaska, Senator Murkowski.

STATEMENT OF HON. FRANK H. MURKOWSKI, U.S. SENATOR FROM ALASKA

Senator MURKOWSKI. Thank you, Mr. Chairman. I would ask that my entire statement be entered into the record and that I be allowed to summarize my remarks.

The CHAIRMAN. Without objection.

Senator MURKOWSKI. First let me acknowledge my thanks to you for calling this special hearing to accommodate this matter. I think it is very fitting of your flexibility to recognize the necessity of addressing this matter in its proper forum and that is what you have done today.

Mr. Chairman, you will recall that on the 13th of June this Committee voted out a Tongass Bill 19 to nothing. I think that is very significant. We are all aware of the negotiations that are currently in progress regarding both the Greens Creek exchange and the Cube Cove exchange.

I, Mr. Chairman, support the concept of both these exchanges. I support equal value voluntary land exchanges; this was debated at some length by my good friend and colleague, who I see is here, the Senator from Ohio.

The Greens Creek exchange has the potential to benefit the residents of Alaska and the citizens of the United States. Expansion of the Greens Creek mine would provide increased employment opportunities, increased tax revenue, and provide increased mineral production for our Nation. Management of the Admiralty Island National Monument will be enhanced through the elimination of private inholdings as well.

Further, Mr. Chairman, the Cube Cove exchange would preserve a valuable forest resource with the inclusion of Lake Florence lands within the Admiralty Island National Monument wilderness. And I am also encouraged, Mr. Chairman, by the progress of the negotiation on both exchanges. I would offer the following guidelines to guide the exchange negotiations.

First, the Greens Creek exchange should not be contingent on the completion of the Lake Florence exchange. It should stand on its own merits. Shee Atika should not be prejudiced by their ability to enjoy their Lake Florence surface estate by any terms of the Greens Creek exchange. Any timber conveyed to Atikon in exchange for the timber at Lake Florence should not reduce the public timber base scheduled for harvest in the Tongass National Forest.

As noted in your opening remarks, Mr. Chairman, I appreciate you providing an opportunity for Sealaska to testify today. I think it is appropriate that they be heard. As you will recall, we had a good deal of debate on the internal activities of Sealaska Corporation. And I would hope that my good friend from Ohio would have time available to meet with the president, Mr. Byron Mallott, who is in the audience today and who I think will be testifying. I think he would like to personally address some of the points that the Senator from Ohio had brought up in the debate and see if they can enlighten one another in a friendly exchange.

So Mr. Chairman, you have provided that atmosphere. I think that is most appropriate. And I look forward to moving ahead with the hearing and hopefully on to conference.

[The prepared statement of Senator Murkowski follows:]

SENATOR FRANK MURKOWSKI

TESTIMONY ON S. 2273

JUNE 28, 1990

Mr. Chairman, thank you for holding this hearing today on S. 2273, The Greens Creek Exchange Act. I introduced S 2273 in March of 1990. The purpose of S 2273 was to enhance opportunities to eliminate private inholdings within the Tongass National Forest through voluntary exchanges and acquisitions, and to facilitate economic development of potential mineral deposits through the expansion of the Greens Creek Mine on Admiralty Island beyond its present 10 year life.

Several actions have taken place in the Senate since the time of introduction of S. 2273. On June 13 of this year the Senate unanimously passed the Tongass Timber Reform Act, HR 987. Included as an amendment to HR 987 was language directing the Secretary of Agriculture to engage in expedited negotiations for the exchange of Greens Creek lands included in my bill, S 2273. The amendment also directed the Secretary of Agriculture to engage in expedited negotiations for the exchange of lands in the Cube Cove area of Admiralty Island National Monument.

I am aware that negotiations are currently underway regarding both the Greens Creek exchange and the Cube Cove exchange and that a great deal of progress is being made. I support the concept of both of these exchanges. As they take shape I have no doubts that they will be both in the public interest and equal value.

Mr. Chairman, the Greens Creek exchange has the potential to benefit the residents of Alaska and the United States. Expansion of the Greens Creek Mine would provide increased employment opportunities, increased tax revenues, and increased mineral production. In addition, management of the Admiralty Island National Monument will be enhanced through the elimination of private inholdings and management of the forest will be improved by eliminating a number of troublesome split estates. Finally, this is a valuable mine important to our nation's economy and mineral security.

The Cube Cove exchange would preserve a valuable forest resource through the inclusion of the Lake Florence lands within the Admiralty Island National Monument Wilderness. I have been concerned about preservation of the Cube Cove area for a long time. At one point, several years ago, we nearly had the opportunity to include almost all of the 23,000 acre area in the National Monument before any timber harvesting occurred. Unfortunately, adequate value could not be identified to make the exchange become a reality. Today, timber has been harvested on two-thirds of the area. Only the Lake Florence area remains uncut. This valuable stand of old-growth timber will still make an attractive addition to the National Monument wilderness if an acceptable land exchange can be worked out.

Mr. Chairman, I am encouraged by the progress of the negotiations for both of these exchanges. I would offer the following principles to guide the exchange negotiations:

First, the Greens Creek exchange should not be contingent on the completion of a Lake Florence exchange—it should stand on its own merits;

Second, the owners of Lake Florence and its timber resource should not be prejudiced in their ability to enjoy their Lake Florence surface estate by any terms of the Greens Creek exchange;

Finally, any timber conveyed in exchange for the timber at Lake Florence should not reduce the public timber base scheduled for harvest in the Tongass National Forest.

I look forward to the testimony of the assembled agency, corporate, and interest group representatives.

The CHAIRMAN. Thank you very much, Senator Murkowski.

And we are glad to welcome our distinguished colleague who used to be a member of this committee until he solved all the problems that the committee had and now he has moved on to new fields. We are happy to welcome Howard Metzenbaum, the

STATEMENT OF HON. HOWARD M. METZENBAUM, U.S. SENATOR FROM OHIO

Senator METZENBAUM. Mr. Chairman, members of the Committee, Senator Garn, I thank you for holding this hearing and for inviting me to appear before my colleagues on my old committee, a committee with whom I was proud to serve for so many years.

The bill you have before you today, Greens Creek Exchange Act, S. 2273, would direct the Secretary of Agriculture to exchange subsurface rights in 18,839 acres of land in the area of the Greens Creek mine within Admiralty Island National Monument for approximately 12,000 acres of surface and subsurface owned by Sealaska Corporation, the Alaska Native Corporation.

Now some may say what is the Senator from Ohio concerning himself about this exchange. It is not in his area. It does not affect him. It does not affect his constituents. I guess it just has to do with my concept of government and that government ought not to get anything for nothing and ought not to give away anything for nothing. And that when we give up something that the people of this country own, that we ought to get fair value in return.

And I do not believe that it is contemplated that the people of this country would get fair value in return. They might, but at this point I do not think anybody knows. And I think as my friend from Alaska and I talked previously, it is very difficult determine what is the value of something that is next to some subsurface mineral rights. And does the vein go out for one mile, 10 miles, 100 miles? Does it get bigger, smaller? What is the case? It is not easy to determine.

There was an amendment to accomplish the exchange, but involving acquisition by Sealaska of 13,868 additional acres of subsurface rights and that was offered on the floor during the debate on the Tongass Timber Reform Act. And as you know, I voiced my concerns at that time during that debate. And I believed then and I believe now that the proposed exchange need not and should not necessarily be accomplished in connection with Tongass Timber Reform. And it certainly must not delay the conference committee consideration of Tongass Timber legislation.

I am still deeply concerned that the proposed exchange of the Greens Creek lands involves the transfer of Federal lands of unknown but potentially very great value in return for other lands whose values are uncertain at best. I do not think there is anybody in the Senate, I am not even sure the Senators from Alaska know, but they may—certainly those of us from the other states in the country do not—what the value of this other land is that is being offered in exchange for this more valuable land.

As you know, the 18,839 acres to be exchanged at Greens Creek surround a very successful mining operation. We do not know the exact value of the 18,839 Greens Creek acres, but we do have a very definite idea as to the value of the 357 hole in the doughnut land, the 357-acre mine in the middle of the Greens Creek lands. In its first 11 months of operation the mine produced just under $100 million in silver, gold, zinc and lead. The mine has an expected life of 10 years. I do not know whether that is high, low, or what the case is. I am not an authority. But if it is only 10 years, that is $1 billion every 10 years.

The Greens Creek lands proposed to be exchanged are 50 times the size of that billion-dollar mine and they surround that billion-dollar mine.

Now, I can urge the Committee not to bring this legislation back to the floor unless there is some determination made as to the appraised value of the lands and mineral rights involved. I am aware of the fact that it is not easy to appraise land. We are talking about subsurface rights. I am no expert in this area, but I have to believe that there are people far more capable than this senator or maybe members of the Committee as well who are able to say, well, it is reasonable to make certain conclusions and to make certain drillings and to come up with a determination.

And I do not believe that the Federal Government ever ought to give away its property or exchange its property without there being an appraisal.

I have nobody to recommend to make the appraisal, but my guess is the professionals with our department would be able to come up with the names of some people who could go out there and make an appraisal. And if the appraisal happens, certainly they can tell us the values of the lands being given.

I am told that some of those lands we have already been told are worth $3 an acre. $3 an acre? If you talk about 20,000 acres, that is $60,000. That is peanuts, a drop in the bucket. But if that is what the United States is getting in exchange, and that is what our government people have told us, then it is obviously not fair.

If this exchange or a larger one is to go forward, we have to know what we are giving up and what we are getting in return. Absent special circumstances, if this were an administrative land exchange, the Alaska National Interest Lands Conservation Act would require that the Secretary of Agriculture make the exchange "on the basis of equal value," and that is in section 1302(h) of ANILCA.

Sealaska has acknowledged the equal value standard by offering a value equalization payment as part of the exchange amounting to 10 percent of any net income received by Sealaska from the lease of minerals removed or sold from the Greens Creek lands.

Now, I have to tell you that, we talked and I talked a good deal about Sealaska on the floor of the Senate, and this whole thing has to do with the Sealaska proposal. I have problems about this because Sealaska expects to receive only 5 percent of the mine revenues. They are not going to get 50 percent or 40 percent or 60 percent. They are only getting 5 percent. And then 10 percent of Sealaska's 5 percent, which amounts to .5 percent, would then go to the United States.

Now come on, you do not have to be a business genius to know that the United States, they are not getting much under those circumstances: .5 percent.

If this exchange is to go forward, Congress should make the exchange on an equal value basis to the best of our ability. Maybe it will not be perfect, but it will be a lot better than just saying we are doing it because it is 18,000 acres here and 30,000 acres here and 12,000 acres, and this is fair. None of you know that. I do not know it. No member of Congress knows it.

Somebody knows a lot more about this matter than we here in the Congress. It is clear that the exchange would benefit the Greens Creek Joint Venture, Kennecott Corporation, Hecla Mining Company, Mitsubishi subsidiary Exalas Resources Corporation and CSX Energy, Inc.

Apparently the officers of Sealaska think it will benefit the shareholders, but obviously not by very much because they only get 10 percent. Excuse me, that is 5 percent. They get 5 percent and the government gets 10 percent of their 5 percent. That is not very much, and I am not even sure why they are pushing this legislation to the extent they are.

It is less clear to this senator whether the proposed exchange is a good deal for all the other taxpayers who are currently the owners of the Greens Creek lands. Too often the Federal Government and the taxpayers come out on the short end of the deal.

I have no desire to go back to the floor and battle this issue once again. But I am prepared to do so unless there can be appraisals, appraisals to the best of the ability of our government to obtain such appraisals.

And if such appraisals are not available, then certainly there ought to be some other way of determining value closer than just saying well, we are giving you 12,000 more acres. We ought to know what we are exchanging. We need to know some very basic questions, including what is the land worth that we are getting, what is the land worth that we are giving away, what are the subsurface rights worth that we are exchanging, are we maximizing public benefits in this deal.

It is a good beginning in this hearing. But I say that unless we know those answers, then we look forward to another floor fight, which this Senator does not relish and does not want to engage in.

Now, let me take a moment to talk about Sealaska. First of all, I am not sure why Sealaska is all that excited about this. All they are talking about is 5 percent. Of course, I guess maybe or I guess maybe when you say you are taking out $100 million a year, I suppose 5 percent is a major amount of money, and I will not demean that.

Sealaska wrote me a letter yesterday. It is five pages long, and I want to say I have not had a chance to read it. It was just given me by my staff, and I will read it in due time. And I will indeed be happy to try to find time to meet with the president of the company while he is here.

I spoke about Sealaska, what its directors and officers, et cetera, are making. Sealaska's letter shows that they sent along some material as to what other executives are making in Seattle. I do not know how relevant that is. I know that it looks like pretty high salaries for a company that is considered to be a native corporation.

I also made the point on the floor of the Senate as to how great a percentage of the total profits of this corporation is going to the officers and executives and directors as compared what is going to the natives. And I think something like, if me recollection serves me right—I will not swear to this—something like 40 percent going to the officers and executives.

Another point made in this letter that my staff pointed out to me—in the letter from Sealaska—says "Your statements about Sealaska director compensation were also inaccurate. Sealaska's directors, in fact, receive total directors fees substantially lower than the $41,000 per annum you indicated." Our information may be inaccurate but it came from the proxy statement that Sealaska filed with the Department of Corporations of the State of Alaska. So if it is inaccurate, we based it upon their own filing. But whether it is or it is not, I am not sure that it is totally relevant.

On bottom line, Mr. Chairman, I am not opposed to an exchange, provided that the United States government is fairly treated. I do not want anybody giving away anything to the people of Ohio to which they are not entitled, the people of Alaska, any special corporation in Ohio, or in any other place in this country.

And if we can find a fair basis on which to make this transaction, that is good enough for this Senator. But absent that, I hope that this bill does not come back to the floor so that we would only repeat the controversy we had in the first instance. Thank you.

[The prepared statement of Senator Metzenbaum follows:]

STATEMENT OF SENATOR HOWARD M. METZENBAUM
BEFORE THE
SUBCOMMITTEE ON PUBLIC LANDS, NATIONAL PARKS AND FORESTS
COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

CONCERNING
S.2273, "THE GREENS CREEK EXCHANGE ACT"

JUNE 28, 1990

MR. CHAIRMAN, THANK YOU FOR HOLDING THIS HEARING AND FOR INVITING ME TO APPEAR BEFORE MY COLLEAGUES ON THE COMMITTEE WITH WHOM I WAS PROUD TO SERVE FOR SO MANY YEARS.

THE BILL YOU HAVE BEFORE YOU TODAY, THE GREENS CREEK EXCHANGE ACT (S.2273) WOULD DIRECT THE SECRETARY OF AGRICULTURE TO EXCHANGE SUBSURFACE RIGHTS IN 18,839 ACRES OF LAND IN THE AREA OF THE GREENS CREEK MINE, WITHIN ADMIRALTY ISLAND NATIONAL MONUMENT, FOR APPROXIMATELY 12,000 ACRES OF SURFACE AND SUBSURFACE OWNED BY SEALASKA CORPORATION, AN ALASKAN NATIVE CORPORATION.

AN AMENDMENT TO ACCOMPLISH THIS EXCHANGE, BUT INVOLVING ACQUISITION BY SEALASKA OF 13,868 ADDITIONAL ACRES OF SUBSURFACE RIGHTS, WAS OFFERED ON THE FLOOR DURING THE DEBATE ON THE TONGASS TIMBER REFORM ACT. I VOICED MY CONCERNS ON THE GREENS CREEK EXCHANGE DURING THAT DEBATE. I BELIEVED THEN AND I BELIEVE NOW THAT THIS PROPOSED EXCHANGE NEED NOT BE ACCOMPLISHED IN CONNECTION WITH TONGASS TIMBER REFORM AND IT MUST NOT DELAY CONFERENCE COMMITTEE CONSIDERATION OF TONGASS TIMBER REFORM.

I AM STILL DEEPLY CONCERNED THAT THE PROPOSED EXCHANGE OF THE GREENS CREEK LANDS INVOLVES THE TRANSFER OF FEDERAL LANDS OF UNKNOWN BUT POTENTIALLY VERY GREAT VALUE IN RETURN FOR OTHER LANDS WHOSE VALUES ARE UNCERTAIN AT BEST.

AS YOU KNOW MR. CHAIRMAN, THE 18,839 ACRES TO BE EXCHANGED AT GREENS CREEK SURROUND A VERY SUCCESSFUL MINING OPERATION. WHILE WE DO NOT KNOW THE EXACT VALUE OF THE 18,839 GREENS CREEK ACRES, WE HAVE SOME MEASURE OF THE VALUE OF THE 357 ACRE MINE IN THE MIDDLE OF THE GREENS CREEK LANDS. IN ITS FIRST ELEVEN MONTHS OF OPERATION, THE MINE PRODUCED JUST UNDER $100 MILLION DOLLARS IN SILVER, GOLD, ZINC, AND LEAD. THE MINE HAS AN EXPECTED LIFE OF TEN YEARS -- THAT'S ONE BILLION DOLLARS OVER TEN YEARS. THE GREENS CREEK LANDS PROPOSED TO BE EXCHANGED ARE 50 TIMES THE SIZE OF THIS BILLION DOLLAR MINE.

I URGE THE COMMITTEE TO DETERMINE THE APPRAISED VALUES OF THE LANDS AND MINERAL RIGHTS INVOLVED. IF THIS EXCHANGE - OR A LARGER ONE - IS TO GO FORWARD, WE MUST KNOW WHAT WE ARE GIVING UP AND WHAT WE ARE GETTING IN RETURN. IF THIS WERE AN ADMINISTRATIVE LAND EXCHANGE, THE ALASKA NATIONAL INTEREST LANDS CONSERVATION ACT (ANILCA) WOULD REQUIRE THAT THE SECRETARY OF AGRICULTURE MAKE THE EXCHANGE "ON THE BASIS OF EQUAL VALUE" (ANILCA, SECTION 1302(H)). SEALASKA HAS ACKNOWLEDGED THE EQUAL VALUE STANDARD BY OFFERING A "VALUE EQUALIZATION PAYMENT" AS PART OF THE EXCHANGE -- AMOUNTING TO 10 PERCENT OF ANY NET INCOME RECEIVED BY SEALASKA FROM THE LEASE OF MINERALS REMOVED OR SOLD FROM THE GREENS CREEK LANDS. (AS SEALASKA EXPECTS TO RECEIVE 5% OF THE MINE REVENUES, TEN PERCENT OF SEALASKA'S FIVE PERCENT WOULD AMOUNT TO 1/2 OF 1 PERCENT OF THE MINE REVENUES).

IF THIS EXCHANGE IS TO GO FORWARD, CONGRESS SHOULD MAKE THE EXCHANGE ON AN EQUAL VALUE BASIS. IT IS CLEAR THAT THE EXCHANGE WOULD BENEFIT THE GREENS CREEK JOINT VENTURE - KENNECOTT CORPORATION, HECLA MINING CO., MITSUBISHI'S SUBSIDIARY EXALAS RESOURCES CORP., AND CSX ENERGY, INC. APPARENTLY, THE OFFICERS OF SEALASKA THINK IT WILL BENEFIT ITS SHAREHOLDERS. THAT'S FINE. BUT IT IS LESS CLEAR TO THIS SENATOR WHETHER THE PROPOSED EXCHANGE IS A GOOD DEAL FOR ALL THE OTHER TAXPAYERS WHO ARE CURRENTLY THE OWNERS OF THE GREENS CREEK LANDS. TOO OFTEN THE FEDERAL GOVERNMENT AND THE TAXPAYERS COME OUT ON THE SHORT END OF THE DEAL.

IT IS ESSENTIAL THAT WE IN THE CONGRESS, AS REPRESENTATIVES OF THE PEOPLE, KNOW WHAT WE ARE EXCHANGING. WE NEED TO ANSWER SOME VERY BASIC QUESTIONS, INCLUDING WHAT IS THE LAND WORTH THAT WE ARE RECEIVING? WHAT ARE THE SUBSURFACE RIGHTS WORTH THAT WE ARE EXCHANGING? ARE WE MAXIMIZING THE PUBLIC BENEFITS IN THIS DEAL? WE NEED TO HEAR SOME GOOD ANSWERS TO THESE QUESTIONS. THIS HEARING IS A GOOD BEGINNING.

DUE TO THE PRESS OF OTHER SENATE BUSINESS, I CANNOT REMAIN TO HEAR THE OTHER WITNESSES PERSONALLY. HOWEVER, I WILL CAREFULLY REVIEW THE WRITTEN RECORD OF THE ENTIRE HEARING.

THANK YOU MR. CHAIRMAN.

The CHAIRMAN. Thank you very much, Senator Metzenbaum, and thank you for your offer to meet with Sealaska.

I was just advised of the letter and just leafed through it and, like you, I have not had time to read it. But I am advised on a very preliminary basis that Sealaska's compensation basis are more reasonable than they appeared from their 10-K filing or whatever that information was that you had.

And I think the principal problem that leapt off the page as you were talking about it was the salaries of those in the Seattle seafood outfit that was a subsidiary of theirs, and as I understand it they acquired that corporation intact with those salaries in place. So that they did not set them. They acquired what turned out to be a good business as I understand it, subject to those salaries.

But I hope that you would be able to meet with them and satisfy yourself because whether or not this is a good exchange, I think they are a well-run native corporation and I think they have done a good job.

Senator METZENBAUM. I have no quarrel with the company as such.

The CHAIRMAN. I know you do not and I know you are very fair minded and I know you would seek to reveal the facts, whatever they are here.

Now, Senator Metzenbaum, your argument with this, as I understand it, is as to the equality of the exchange.

Senator METZENBAUM. Correct.

The CHAIRMAN. The amount of the value of this property.

Senator METZENBAUM. Correct.

The CHAIRMAN. You do not argue with the fact that additional mining would be in the public interest or that development of the resource would be in the public interest. Your sole problem here is one of value.

Senator METZENBAUM. The Chairman states it accurately.

The CHAIRMAN. I think you have not seen the Greens Creek mine.

Senator METZENBAUM. I have not seen it.

The CHAIRMAN. I would invite you to take a look at it. A number of the members of the Committee have seen it and in terms of an environmental problem, it was a matter of some controversy when put in and debated back at the time of ANILCA. The idea is that in this pristine area to come in and develop a mine is inconsistent with good environment.

But we have the mine. We have the little dock site. We have the road. We have all of those things which an ongoing mine gives you.

Now that that is in, the additional environmental consequences of an expanded mining area, I would submit, are very slight. The potential for additional dollars for the Federal Government, for Alaska in terms of salaries of employees, for the United States in terms of royalties and for a tax-paying American company I think would be considerable. And so I think that it is in the public interest, if we can solve that question of salary, to have those additional mining claims put in operation, to let them go forward. Would you disagree with that?

Senator METZENBAUM. Well, I would say that I do not appear in connection with the matter of environmental concerns because I have not heard those expressed. As far as the United States government, the deal, is concerned, I do have some concerns about that for the United States government to wind up with .5 percent royalty.

The CHAIRMAN. I understand that. I am laying that issue aside.

Senator METZENBAUM. Putting aside the dollar matters and monetary aspects of it, the valuation aspects, I am not opposed to the matter going forward.

The CHAIRMAN. Well, it would seem to me that this value question is certainly a legitimate question to ask and that is one reason I wanted to have this hearing. And I do not have a preconceived view of it. That is what we are here today for. But I do have a preconceived view that we ought to develop these resources. It is in the interests of the United States, Kennecott Copper, of Sealaska, of the State of Alaska, of everyone if we can get an appropriate value.

Now that said, my second conclusion is that it seems to me no one can disagree with is, this is not the kind of thing you put up for public bid, as you would our off-shore leases because you do not want to get a multiplicity of operators who would need redundant resources, not necessarily an additional road but additional facilities, which, if you have one operator, you can minimize the environmental impact of it.

And so it seems to me it is not appropriate for bid, that is you cannot find out the value by putting it up for public bid because there would probably not be another bidder, or if you had another bidder, you would not want two people in there.

And so I am groping for a way to find the value and to find the value without having to go in and punch little holes in the ground all over this huge area, which would take a tremendous amount of time and a tremendous expense.

So my question to you is do you think it is possible to find a way to give the government a share, maybe on a sliding scale, depending on what the resource turns out to be, a share in this Greens Creek mine that would be appropriate to fix now without knowing what the value is so that, if you hit it big, you will get compensated. Do you understand what I mean?

Senator METZENBAUM. I understand exactly what the Chairman is asking, and I would say every time I have heard of any discussions of this kind in the number of years I have been around the United States Senate, I have come to the conclusion that normally government gets shafted. They get a very small percentage as compared to true value.

And so I would guess that in this instance the dimensions of that which might be available on a negotiated basis would be quite insufficient.

The CHAIRMAN. What you are saying is that 5 percent of 10 percent is too little? You are not saying that the government is incapable of coming up with a good deal.

Senator METZENBAUM. I am not saying the government is incapable of coming up with a good deal, but the Senator has reservations about the determination and the effort of the government to come up with a deal of sufficient amount to represent adequately and fairly the government's interest.

And so I would say, Mr. Chairman, that, yes, it is true that it might cost—I will pick a number—$300,000, $500,000, to get appraisals done and to have somebody go out and do test borings. I do not know how you do this. I am not in this business.

But there have to be ways that the smart people in this field who do mining in this area for precious stones, there must be people who can say well, the way to really do that is the following. And what I am saying is that before this Committee acts, I think we ought to ask or have our government people check and see what those who are knowledgeable about mining for precious stones or whether it is precious stones or whether it is lead or whether it is copper, there must be ways that geologists, meteorologists, whatever they are called, are able to make some determination. That is not my field. But I would think——

The CHAIRMAN. Well, I understand that. This is not the position of anybody that I know of, even staff has not told me to ask these questions, which may be unusual—I usually get my questions from staff. But it just seems to me that the way to go at this thing is not to try to find out what the value is because even then if you knew how much mineral was there, it would still be subject to argument because the expense of getting it out is the major factor here. And it is very expensive, I know that much, to get the mineral out and get it on the boat to come all the way back to Stateside.

It just seems to me that what they ought to do is examine the fairness of the percentage that goes to the Federal Government and maybe have some sliding scale that says anything over a billion dollars net profit, the Federal Government gets X percent or the first $10 million, they get so much. And figure out a way to determine what net profit is.

That way, if there is nothing there they do not have to pay anything and if there is something there then they pay the Government that which you agree on in advance.

Now I do not know whether anybody has an interest in that or whether it is possible.

Senator METZENBAUM. I would say, Mr. Chairman, that I think what ought to occur is that this Committee ought to ask our experts, and we certainly have plenty of those with the government, as to, A, what are the problems of making a realistic evaluation of the mineral values of these properties. I do not know whether that is as difficult as we make it out to be. I do not know even whom to ask.

The CHAIRMAN. Well, we have got Dale Robertson, Chief of the Forest Service, ready to testify next, and I think he speaks to that. He says, for example, establishing a market value for subsurface lands is one of the most difficult questions we have faced in negotiating this exchange.

Senator METZENBAUM. He says here that, "We have been able to establish the relative mineral value of the tracts using minerals potential information developed by the Forest Service, U.S. Bureau of Mines and U.S. Geological Survey. Using this information, we have concluded that the Greens Creek subsurface has a higher potential for additional discoveries than do other lands of a similar geologic character."

I do not know how he knows that, but obviously he seems to know what he is talking about. "We recommend Congress allows additional time to estimate to the fullest degree practicable values and interest involved." I think that makes some sense.

The CHAIRMAN. Well, we will hear from them and talk to them but I would want to ask them a question. I would like to pursue this idea of a sliding scale for the government. That way the uncertainty is really taken out of it and the government is protected no matter what the value is. I do not know whether it is possible to do that.

But I have taken too long and let me turn the questions over to Senator Garn.

Senator GARN. Thank you, Mr. Chairman. I have a couple of comments, no questions. I am afraid my questions would reignite the debate on the floor and the purpose of this hearing was to hear from other witnesses and I do not think the Senator from Ohio and I need to repeat our debate here. We may do that again someday on the floor.

But I think it is important—I will use his figures, like $100 million of revenue last year—that also the statement be made that Kennecott lost money on that gross figure, because anybody who knows anything about mining knows that there is an initial period of great investment, getting the mine ready to go, and that has been the case here.

Hopefully Kennecott now will be in a position where I certainly hope they will make money and not lose money. So I do not want the impression that $100 million bucks is coming out of there every year. There was a loss on that last year.

There are also other intangibles besides the difficulty of trying to determine what the subsurface rights are worth. I am not a mining engineer, but I certainly have known of enough mines which looked tremendous and you go a few hundred feet and they stop. And sometimes you have those which are not considered very good that go the other direction just like with oil well drilling. The geologists can tell you the potential for a field, and sometimes you get that gusher and other times there are dry holes and there are many more dry holes than gushers.

So it is a difficult process and there is not one member of this Committee who does not want as close to equal value as possible. That is not an issue. No senator has a corner on that particular issue.

But there are some things which I do not know how you place the value—and that is the environmental value. Part of this exchange was the relinquishment of the ability to cut down a lot of old trees that the environmentalists feel very strongly about. I do not know how you place a dollar value on that, but I do think it has considerable value with all of the debate going on over and above the issue of this land versus that land. I think that has to be taken into consideration as well.

What is the value of not having those old forests cut down? Alaska certainly has the right to go ahead and do so, and if this exchange agreement can not go through, I hope they do. I hope they go start cutting them down. They have got a right to do so.

So, I do not know how we place a value on that, but I certainly hope that we can resolve this, that we get factual information, and that the senator from Ohio and I do not have to renew our debate on the floor. He says he is ready. I am ready too. I hope that is not necessary. But, Howard, we will have a good time on the floor again if we cannot work it out.

Senator METZENBAUM. I have had enough of you for the last couple of weeks, with check cashing, a few other things.

[Laughter.]

Senator GARN. As I say, I hope it is not necessary, but I am ready to go again.

[Laughter.]

The CHAIRMAN. Well, I think Senator Wallop is ready to go for questions.

Senator WALLOP. Mr. Chairman, I understand Senator Metzenbaum has to leave for an Intelligence Committee meeting.

Senator METZENBAUM. I have a mark-up in intelligence, but if there is something that you want to ask, I do not want to walk out.

Senator WALLOP. No, I have observations. I do not like to get into the ideas of salaries, but since you brought them up, I think it is only fair to point out that there are higher salaries paid to such people as Jay Hair of the National Wildlife Federation and other directors of environmental groups. I do not know what the relevance of that may be.

Senator METZENBAUM. I am not sure it has that much relevance.

Senator WALLOP. I only brought it up because you brought it up. I am not sure it is relevant how much Jay Hair gets.

Senator METZENBAUM. The only reason I brought it up is I sort of felt that Sealaska was being portrayed as this poor, little native corporation, and I just wanted to be certain we were not going to pass something on the basis of this poor, little native corporation, at least to portray that it was not such a poor little native corporation. I am glad they are doing well, and I really do not even have any problem about their paying their executives well. I think that is entirely appropriate. But that still does not mean I think we ought to give them something for nothing.

Senator WALLOP. Let me just make an observation, Howard. I mean, you and I probably never will agree on what the government's role is with respect to its public lands and multiple use. But one of the things that is curious is that you are asking us to reverse in its entirety—the policy of the United States has been to ask private industry to take the risk, develop the resource and create the wealth, in return for some exchange. You are asking us to find out the value of all these minerals for the government to take the risk. Suppose they discover all of this and there is nothing and then there is no exchange, the timber gets lost, the scenic values get lost, and they develop the resources which they are giving in exchange for all this.

I hope that in some of this, you recognize that there is a benefit to the United States which comes from the creation of wealth and jobs and employment, and economic stability in an area such as this, and for a Native corporation.

Senator METZENBAUM. Frank, do you want me?

Senator **Murkowski**. Very, very briefly, if I may, Mr. Chairman. First of all, I appreciate your willingness to meet with Mr. Mallott, and in order to expedite your schedule and his, my secretary has a call in to yours. And he is available at any time you have any free time, and I do appreciate it very much.

Secondly, I would just remind my friend from Ohio to take a little time to review the proposed exchange, because the proposed exchange is a subsurface exchange for a subsurface exchange, with one exception, 2,484 acres of surface.

Now, the surface is determined by the best governmental capability we have, and that is the U.S. Forest Service. You will find at this hearing that they will probably testify that the value of that timber is $14.4 million in value. That is proposed to be part of the exchange. So, you have one finite amount there.

Now, the suggestion which has been discussed with the Chairman and yourself about trying to appraise the subsurface, I think is a state of the art that frankly does not exist in the terms that we would like to see it. Because, if you are going to go in there and drill, and you look at the topography, you are going to have to clear some timber. You are going to have to put in helicopter crews with drills, and the cost to somebody would be extraordinary. You are talking about millions and millions of dollars, because you just do not know what is under those 32,000 acres of mutually exchangeable subsurface.

I cannot justify value for value, but I can justify unknown subsurface for unknown subsurface. And the senator from Ohio makes a good point. He says, ah-ha, but one is closer to an existing mine, and that is true. But, ordinarily, like when you look for oil, you usually do not find it when you look for it, and if you do find it, it creates jobs, a tax base and so forth. And if you do nothing for it, Senator, the Federal Government will not get anything anyway.

So, that is the point I think you and I have had a good debate on, and I commend you for your tenacity, which you are long on.

The **Chairman**. Before I turn it over to Senator Wirth, and before you get away, I wish you would look briefly at these pictures. Here is Lake Florence down here in its pristine state. These are views of other areas in the Cube Cove area, which have been cut, and they really do not look so good, and the idea of cutting these trees around Lake Florence, I think you, and I, and all the other environmentalists would find abhorrent. But if we do not get this Greens Creek exchange, I do not think we can protect Lake Florence, because they are all interwoven. So, if we could find a way to get equal value, we ought to do so before next October, because otherwise, there goes Lake Florence.

Senator Wirth.

STATEMENT OF HON. TIMOTHY E. WIRTH, U.S. SENATOR FROM COLORADO

Senator **Wirth**. The one point I was going to raise, and I thank you for doing that, was Lake Florence. The other was in the state of Colorado, if I go out on the public lands and am looking for oil, I put all the money in at the front as somebody who is taking a chance on that, and then I pay the Federal Government, I think it is 12.5 percent of what I find. If I got an underground coal mine, I think I pay about 8 percent. Would something like that, and I think the Chairman was getting at that a little bit, Senator Metzenbaum, is something like that appropriate? Would it, theoretically, would it be all right with you to say to treat this in the same way, say as we do oil?

Senator **Metzenbaum**. Well, I am not sure about that, Senator Wirth, because I am not sure when you are talking about diamonds and silver, that they are quite the same. Let us assume for the moment that we knew that beyond these 357 acres. Let us assume that Senator Murkowski went out there with Senator Wirth, and here is the 357 acres, that is a pretty small area. And he was told that the diamond vein is going out this way, and so he did arrange to do some test borings following that very vein, and he found that there were diamonds in it and maybe even a greater vein than that which was in the 357 acres. I guess I would say that 10 or 12 percent is not really very fair for diamonds.

Now, let us assume that instead of that, he found lead or sulfur, which comes in at much lesser value. I think, then, you get into a question of economic evaluation. And so, I would not want to sit here and say, yes, 10 percent or 12 percent. Right here, we are talking only .5 percent. So, let us not kid ourselves that there is any comparison. So, certainly, when you talk about 10 or 12 percent, it makes better sense and is a far better deal for our country, but I would not want to sit here and agree to that.

I still believe that some testings, as Mr. Robertson suggests, that he wants some additional time, and when he asks for some additional time, I think we ought to give it to him.

With respect to Lake Florence and the question of cutting. If I am not mistaken, there is just no question that they are worth protecting. They were not part of the original exchange, and it is a fact that they have been added in this proposal, and that is good. But, if the problem is, what is going to happen in October, it would seem to me that we do have ways, legislatively, to give ourselves additional time with respect to the cutting at Lake Florence, whether it be six months, a year or two years, to keep that from happening while this matter is evaluated. I do not think we ought to let the Lake Florence situation drive us to the point of giving away valuable mineral rights.

The **Chairman**. Well, I think that would be a taking under the Fifth Amendment to do that, and you have to have money.

Senator **Metzenbaum**. What?

The **Chairman**. That would be a taking under the Fifth Amendment.

Senator **Metzenbaum**. Oh, no, no, no. Not the way I would do it. I am sure the senator and I could——

The **Chairman**. Well, we will explore ways, but I think practically, these are all linked. There has just got to be a way we can find to do it fairly.

Senator **Wallop**. Mr. Chairman, could I just make an observation?

Howard, do not forget, please, in your deliberations on this thing that Sealaska has given up something of value in order to obtain something of value, and the royalty fee of which you speak is meant as an equalization.

Senator **Metzenbaum**. Malcolm, it is a question of how much they have given away, what they have given away, what it is worth. I think is a question—all I am asking for, I do not want anything out of Sealaska, I do not want anything out of Kennecott Copper, I do not want anything out of any particular group—people of Alaska. I just want fairness, and if we get to a point where we can determine what is fair, this senator will stand aside and applaud and say, that is good, let us go.

That is what I did when we had the big battle on the Alaska Railroad. We had an appraisal, we worked it out, the appraisal took place, our country got $22,100,000 for it, and that was fine with me. I did not say that the United States ought to continue holding them. My guess is it is worth a lot more than that today. That is fine. I have no quarrel about that. At least there was an appraisal, and that what we got paid. And that is all I am saying here.

The **Chairman**. Thank you very much, Senator Metzenbaum.

Senator **Wallop**. Mr. Chairman, Senator McClure has a statement that he wishes to have inserted in the record.

The **Chairman**. Without objection.

[The prepared statement of Senator McClure follows:]

Statement by Senator James A. McClure
on S. 2273, Greens Creek Land Exchange

Mr. Chairman, the legislation before you today authorizing and directing a land exchange between the Sealaska Corporation and the United States would open the way for further exploration of the Greens Creek deposit on Admiralty Island in Alaska. I strongly support this exchange.

I support this exchange for two reasons. The first is that an Idaho firm, the Hecla Mining Company, has significant ongoing investments in a mining operation at Greens Creek. Hecla is one of the corporate participants in the Greens Creek Joint Venture, which owns the Greens Creek mine on Admiralty Island. Hecla has informed me that the proposed land exchange between the United States and Sealaska will create an opportunity for further exploration of the remaining mineral deposits within the Greens Creek drainage by the Joint Venture. Extending the life of the Greens Creek Mine beyond its estimated ten year period would benefit Hecla because it would permit the company to maximize this investment. Such success in turn spills over into Hecla's other gold and silver operations in Idaho and other areas of the United States.

Beyond my purely parochial reasons, I am also supporting the land exchange because of its benefits to our nation. If the United States is to remain strong and self-sufficient, we need access to economically recoverable mineral deposits. The ability to mine the silver, gold, zinc and lead deposits at Greens Creek decreases the pressure on our trade deficit and reliance on foreign mineral resources. This alone should justify the land exchange. The legislation does, however, provide for an equal value exchange because of the exchange of other inholdings in the Tongass National Forest for the subsurface lands adjacent to the Greens Creek Mine. The direct and indirect economic benefits to Southeast Alaska bolster that region's business and employment base, thus adding to coffers of the Federal Government through increased tax revenues. Additionally, There is a provision in the legislation which permits the Federal Government to share in the payments which may be available to Sealaska should economically recoverable mineral deposits be discovered on the lands subject to this exchange. This value equalization payment was agreed to by Sealaska.

The exchange also provides the federal government with resources which are far more valuable in terms of the Monument than a simple economic calculation of fair market value. The value of Old Faithful is not measured by the potential for geothermal development; and it would be refreshing if once in a while those who hammer at mineral values on these exchanges would remember the unquantified aesthetic value to future generations of concluding this exchange.

This discussion leads to my final point: this Committee is currently considering whether to amend the Mining Law of 1872 to require the payment of royalties to the Federal Government when entrepreneurs engage in the exploitation of mineral deposits under valid patent on the federal lands.

I would urge my colleagues, however, not to use this legislation as a forum or a precedent for seeking changes in the Mining Law. The appropriate place to discuss such change is in a hearing on the Mining Law. Instead, we should focus on the only issue relevant to this proposed land exchange. Is it in the national interest to permit the Greens Creek exchange to go forward? The answer to that question is yes.

The Greens Creek exchange should also not be used as a test case for the imposition of a separate federal royalty as a pre-condition for approval of land exchanges. Sealaska and the Joint Venture should not be required to follow some new economic standard for mineral development.

The revenue sharing provision in the legislation has been included only because it was agreed to by Sealaska in advance in order to enhance the value of the land being traded to the United States.

The Committee shall have ample time to debate the pros and cons of a generic restructuring of the Mining Laws. I urge my colleagues to focus on the national interest questions involving the exchange itself.

The Congress, as part of the Alaska Lands Act, specifically provided for exploration of the area, and this legislation provides a balanced regime to permit proper and environmentally sound exploration and development of the area.

Thank you, Mr. Chairman.

The CHAIRMAN. Next, we are happy to have Dale Robertson, who is Chief of the Forest Service, who will untangle this puzzle for us.

STATEMENT OF F. DALE ROBERTSON, CHIEF, FOREST SERVICE, DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY MIKE BARTON, REGIONAL FORESTER FOR ALASKA; AND GARY MORRISON, FOREST SUPERVISOR, TONGASS NATIONAL FOREST

Mr. ROBERTSON. Mr. Chairman, I have with me Mike Barton, the regional forester for Alaska, and Gary Morrison, who is the forest supervisor on the Tongass National Forest, and both of them have been involved in this exchange. And should we need to get into the details, they are very familiar with it.

In follow-up to Senator Metzenbaum's concerns and discussions, maybe one thing I could add in the record here that might be helpful is that when ANILCA passed in 1980, there were 440 mining claims that were located at that time. And that is about 8,800 acres, and Greens Creek then had five years to further explore to see if they could prove the economic value of those.

And as it turned out, after five years, Greens Creek only submitted 21or the 440 to the Forest Service for the validity determination, and the Forest Service went in and checked those, our mining engineers. And we finally approved only 17 out of the 21, in which 21was only submitted out of 440. So, there has been a lot of work there to determine if there was an economical value in and around Greens Creek. And I think that maybe is kind of important as we consider this exchange.

I will just briefly summarize my statement, and I would like to say, Mr. Chairman, we support the concept of the Greens Creek exchange, provided we can get some details worked out in a mutually acceptable manner, to both the Forest Service and Sealaska.

Negotiations have progressed quite well since S. 2273 was introduced back in March, and we have reached agreement with Sealaska on many key elements of a land exchange, but negotiations are continuing, and we still have some issues that we need to work out with them.

It is a very complicated exchange, especially with the involvement of Cube Cove with involving four parties, in addition to Sealaska and the Forest Service. And as I mentioned, Forest Supervisor Gary Morrison has been involved in those negotiations and can bring you up to date on the status of the land exchanges, what we have tentatively agreed to and what is left to be worked out.

But before we offer to do that, let me just summarize our position on S. 2273. We oppose S. 2273 as currently drafted, and as we have said before, we believe that the value of the rights which would be conveyed to the United States is significantly less than the value of the rights which would be conveyed to Sealaska.

However, that is the purpose of our negotiations, to see if we can get a more balance of values here. And again, we support the basic purposes of the Green Creek, and if we can negotiate a mutually acceptable written land exchange agreement, we would then support his exchange.

So, we would, therefore, recommend either that legislation be deferred until negotiations can result in a mutually acceptable land exchange agreement, which then could be ratified by Congress if acceptable to you as well, or if the Congress wants to proceed with this, we would recommend that it be contingent upon a written land exchange agreement that is acceptable to the Secretary of Agriculture.

And with that, Mr. Morrison is here, Mr. Chairman, should you want to have some details on just the status of the negotiation, whatever your pleasure is.

[The prepared statement of Mr. Robertson follows:]

STATEMENT OF
F. DALE ROBERTSON, CHIEF
FOREST SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

Before the
Subcommittee on Public Lands, National Parks and Forests
Committee on Energy and Natural Resources
United States Senate

Concerning
S. 2273, the "Greens Creek Exchange Act"
Admirality Island National Monument/Wilderness
Tongass National Forest, Alaska

June 28, 1990

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the opportunity to present the Administration's views on S. 2273. We have a strong interest in resolving the long-standing issues regarding landownership in the Admiralty Island National Monument/Wilderness within which the Greens Creek area is located.

I am accompanied today by Mike Barton, Regional Forester, Alaska Region, and Gary Morrison, Forest Supervisor, Chatham Area, Tongass National Forest.

During the development of Alaska National Interest Lands Conservation Act (ANILCA), Congress had two important objectives that relate to the current Greens Creek exchange issue. One objective was to minimize major inholdings within the Admiralty Island National Monument/Wilderness. Another was to facilitate the environmentally sound development of a major mineral deposit at

Greens Creek in the northern part of the unit, insofar as such mineral rights were compatible for the purposes for which the Monument was established.

Since ANILCA was enacted in 1980, there have been several legislative and administrative attempts to further these objectives. A chronology of major events related to the Greens Creek Mine is attached to my statement.

We are encouraged by progress in the latest round of negotiations which indicates that an agreement may be possible to resolve the issues involving the Greens Creek Mine and the private inholdings at Cube Cove. In addition to the Forest Service, the principal parties involved include the Sealaska Corporation, Shee Atika, Inc., Atikon, Inc., Koncor, Inc., and the Greens Creek Joint Venture -- all of whom have valid interests which must be accommodated if a comprehensive solution is to be achieved with respect to the largest private landholding within the Monument.

Toward this end, negotiations between the Forest Service and Sealaska Corporation have reached agreement on essential elements of a land exchange involving the Greens Creek Mine on Admiralty Island. These elements include:

(1) Conveyance to Sealaska from the United States of approximately 32,700 acres of subsurface rights, including 18,839 acres at Greens Creek as well as other subsurface lands, consistent with the purposes of the Alaska Native Claims Settlement Act (ANCSA) and subject to valid existing rights.

(2) Conveyance to the United States from Sealaska of approximentely 33,300 acres of subsurface estate including, at some future date, the 23,072 acres of Sealaska subsurface at Cube Cove.

(3) Conveyance to the United States from Sealaska of 2,484 acres at Nutkwa Lagoon adjacent to an area of National Forest land proposed for wilderness designation in H.R. 987, as passed by the House. Sealaska is currently proposing to reserve locatable minerals subject to applicable Federal law and regulation.

Our negotiations have progressed significantly beyond the present scope of S. 2273. As currently drafted, S. 2273 would convey 18,839 acres of U.S. subsurface in the Greens Creek area to Sealaska for 9,445 acres of subsurface owned by Sealaska where the corporation does not own the surface estate and 1,864 acres of surface estate at Nutkwa Lagoon.

Establishing a market value for subsurface lands is one of the most difficult questions we have faced in negotiating this exchange. We have been unable to identify any market transactions in either Southeast Alaska or elsewhere in the State that would help establish market values for the land involved in this exchange. We have, however, been able to establish the relative mineral value of the tracts using minerals potential information developed by the Forest Service, the U.S. Bureau of Mines, and the U.S. Geological Survey. Using this information, we have concluded that the Greens Creek subsurface has a higher potential for additional discoveries than do other lands of a similar geologic character.

The Administration is concerned about the current uncertainty of values involved in the exchange. We recommend that the Congress allow us additional time to estimate to the fullest degree practicable the values and interests involved.

Over the years, the Greens Creek Joint Venture has sought to establish validity for 21 mining claims. Valid discoveries were established on 17 claims. Based on information provided by Greens Creek Joint Venture, validity could not be established on the other four claims. The lands sought by Sealaska surround these mining claims which are being developed as the Greens Creek Mine. The subsurface estates being offered by Sealaska are all within areas identified as having low mineral potential and are similar to 90 percent of the Tongass National Forest. Until the area can be further explored or actually mined, no precise dollar values can be obtained.

The 1,864 acres of surface estate at Nutkwa Lagoon included in S.2273 is valued at approximately $11.4 million by Forest Service appraisers. An additional 620 acres is now offered and valued at $3 million for a total of $14.4 million.

The Administration opposes S. 2273, as currently drafted, because the value of the rights which would be conveyed to the United States is believed to be significantly less than the value of the rights which would be conveyed to the Sealaska Corporation. Moreover, the requirement that the corporation pay a percentage of its net mining revenues to the United States would not necessarily equalize these values. Moreover, the requrement that the corporation pays a percentage of its net mining revenues to the United States would not necessarily equalize the values. Any such payments should go to the Treasury.

The bill, as now drafted, does not adequately address several important issues involved in the negotiations, including the full scope of the exchange as it is now being discussed, the interests to be conveyed, the terms and conditions of future use, and some critical points regarding the mutual consideration between the parties.

Legal counsel for Sealaska and the Department of Agriculture have drafted significant portions of a land exchange agreement. Many of the essential ingredients of the exchange have been agreed to, but negotiations are continuing with respect to several issues.

First, we want to ensure our ability to protect the National Monument values (as required by section 503 of ANILCA) during the mining operations and after mining is completed. Use of the Greens Creek surface estate within the Monument should be limited to that which is minimally necessary for underground mining and should be subject to strict environmental and reclamation requirements. We believe that there are sufficient existing Forest Service regulations which can be incorporated into a land exchange agreement to meet these concerns.

Second, we are concerned about the future of the Greens Creek area. We question whether it is in the public interest to have a permanent subsurface inholding within the Monument when the present mine is worked out. We do not believe the United States should be placed in the position of having to acquire by exchange the subsurface after the present mining operations have ended. Therefore, a reversionary interest in the United States should be considered. Since the current value of that subsurface is in the existing mine, such a reversion should not affect valuation but could profoundly affect future management of the Monument.

A third issue is Federal acquisition of the Cube Cove subsurface. Acquisition of that subsurface is the major public interest increment of this exchange. We are agreeable to a phased acqusition over years to fully accommodate Shee Atika's surface rights but, in the last analysis, the Federal Government should acquire the subsurface rights at Cube Cove, as well.

Finally, we would reiterate that ascertaining the values of the interests involved in the exchange is an ongoing concern.

We are confident that these issues may soon be resolved. However, this is a very complicated transaction not easily legislated. We must consider and address the balance of mineral and private land development with management of public resources over the long run.

The Administration recommends that Congress defer legislative action until completion of a written land exchange agreement between the Sealaska Corporation and the Secretary of Agriculture. Negotiations and drafting of such an agreement are progressing well, and we believe the long-term interests of the public and the parties involved would best be served by such an agreement. Once the agreement is completed and the Administration has reviewed it, it could then be ratified by the Congress.

If Congress decides to proceed with legislation now, we strongly recommend that it be contingent upon a written land exchange agreement that is acceptable to the Administration.

In summary, Mr. Chairman, we support the basic purposes of the Greens Creek exchange, and we are pleased with the progress of our recent negotiations with Sealaska. We believe completion of this exchange with Sealaska could lead to further comprehensive, beneficial exchanges in the Cube Cove area. However, we urge the Congress to defer action on S. 2273 until we can complete the present negotiations through a written land exchange agreement with Sealaska.

We will be happy to answer your questions or provide any additional information you may desire.

SUPPLEMENTAL STATEMENT
UNITED STATES DEPARTMENT OF AGRICULTURE

GREENS CREEK CHRONOLOGY
Admiralty Island National Monument/Wilderness
Tongass National Forest, Alaska

1971	The Alaska Native Claims Settlement Act (ANSCA) was signed into law, entitling Alaska Native corporations to select lands from the National Forests. Angoon, Goldbelt and Shee Atika made surface selections on Admiralty Island. Sealaska, the Regional Corporation, received the subsurface estate under these lands.
1973	The Pan Sound Joint Venture was formed for mineral exploration in Southeast Alaska.
1974-76	Exploration on Admiralty Island resulted in location of the Big Sore mining claims in the Greens Creek area.
1978	The Big Sore claims were given development status, and Pan Sound was dissolved. The Tongass Land and Resource Management Plan was completed. The plan proposed a wilderness area on Admiralty Island that would have included the Greens Creek area. The President designated Admiralty Island as a National Monument, and the area was withdrawn from mineral entry.
1980	The Alaska National Interest Lands Conservation Act (ANILCA) was signed into law. Sections 503 and 504 provided an additional 5 years to explore within a 3/4-mile radius of certain mining claims in the Greens Creek area. ANILCA also provided for a major "off-Admiralty" land exchange under which Angoon moved its ANCSA selections to Prince of Wales Island, Goldbelt moved its ANSCA selection to Juneau and Hobart Bay, and Shee Atika received 23,073 acres at Cube Cove on Admiralty Island. Sealaska received the subsurface estate at Cube Cove.
1983	The Forest Service issued the Final Environmental Impact Statement and Record of Decision authorizing the Greens Creek Mine development.
1980-85	Further exploration work was conducted at Greens Creek.
1986	Public Law 99-235 extended the exploration rights at Greens Creek for 1 year. Congress authorized the Forest Service to attempt to acquire Cube Cove lands before the timber was harvested. These efforts were unsuccessful and significant timber harvesting began after protracted litigation involving Shee Atika and environmental interests regarding log loading facility permits,

	NEPA and ANILCA. Congress reaffirmed Shee Atika's right to peaceful enjoyment of its estate.
1980-88	The Forest Service determined that 17 of the 21 Greens Creek claims are valid.
1987	The Sealaska Corporation proposed an administrative land exchange of the Cube Cove subsurface for the Greens Creek subsurface (23,000 acres for 23,000 acres).
1988	The Forest Service (Regional Forester) determined the Sealaska proposal was not in the public interest. Sealaska appealed this decision to the Chief. The Forest Service continued to negotiate with Shee Atika to acquire Cube Cove lands. Shee Atika sold its timber rights at Cube Cove to Atikon whose principal shareholders are Koncor (51 percent) and Shee Atika (49 percent).
1989	The Chief of the Forest Service upheld the Regional Forester's decision in the appeal by Sealaska.
March 1990	Sealaska proposed a legislated exchange to acquire 18,839 acres at Greens Creek for an approximately equal amount of subsurface plus land at Nutkwa Lagoon. This proposal is embodied in S. 2273. Negotiations continued with Shee Atika and Atikon to acquire surface estate.
June 1990	The Forest Service and Sealaska continued discussions and reached agreement on the essential elements of an exchange involving the conveyance of about 33,000 acres of Federal subsurface for 33,000 acres of Sealaska subsurface. In addition, the United States would receive about 2,500 acres of surface at Nutkwa Lagoon, and 10 percent of any gross receipts by Sealaska as a result of minerals production from the lands to be conveyed to Sealaska at Greens Creek.

The Chairman. You said you were concerned about the current uncertainty of values involving the exchange, and that you recommend that the Congress allow you additional time to estimate to the fullest degree practicable, the values and interests involved. There is such a connectivity between the Cube Cove and this. Are you talking about getting all this wound up before October?

Mr. Robertson. We would like to, yes. Basically, it is just to work out some of the remaining details with Sealaska in the negotiations.

The Chairman. I just want to be sure that you are not talking about the kind of, what do they call it, an assay where you go in and dig all the holes. That takes years to do that does it not?

Mr. Robertson. Well, you can take years to do it and it would be expensive, and even two legitimate appraisers can come out with widely different appraisals. In fact, we have just, not many years ago, had experience with Otter Creek in West Virginia on coal. Two different appraisers went in and looked at the coal values and came out with 300 percent apart in their appraised value. It is a very speculative approach.

The Chairman. Is the idea of trying to make this sliding scale, where you pay more if it turns out to be worth a trillion dollars, is that worth pursuing?

Mr. Robertson. That is plowing some new ground, and I think it is a concept worth pursuing.

The Chairman. Because it seems to me that if we are going to get this thing wound up anytime soon, you are just not going to be able to satisfy Senator Metzenbaum and others, maybe even OMB, that we know what this is worth, because to know what it is worth, you have got to go dig all the holes. How long would that take, by the way, to really do a formal appraisal?

Mr. Robertson. I am not am expert on that, but with the weather in Alaska, I would think probably months, and maybe a year or more. I mean, that would be a big job.

The Chairman. Do you we have an opinion there, and state your name for the record.

Mr. Barton. I am Mike Barton, regional forester for the Forest Service in Alaska. It is not only a function, it is also a function in the geology and the way the ore body lies in the country there, that adds considerably to the complexity of the exploration and appraisal. And I am sure somebody from Kennecott could further elaborate on that, but it is just not a function of logistics, but is also a function of the ore body itself.

The Chairman. And of weather.

Mr. Barton. And of weather.

The Chairman. And light and seasons. I mean, how much time and expense are we talking about for a formal appraisal?

Mr. Barton. I have no idea.

The Chairman. You could not get it done between now and the end of Congress, could you?

Mr. Robertson. No. I am sure it would take millions of dollars to do that.

The Chairman. How much?

Mr. Robertson. I am sure it would take millions of dollars to do that.

The CHAIRMAN. What sort of time are we talking about, years?

Mr. BARTON. Yes, I think so, Mr. Chairman, and again, I am not an expert, but in fact, Greens Creek attempted to do this back in the late 1970s, and in that five-year grace period that resulted from ANILCA, and because of the complexity of the situation, they were unable to.

The CHAIRMAN. They had five years to do it in and they could not do it within five years is what you are saying?

Mr. ROBERTSON. Well, they finally submitted what they thought were valid claims, 21 out of 440, which we finally agreed with them on 17, which were finally patented.

The CHAIRMAN. Well, that being so, that seems to me very clear, because I have seen that country up there and I know what it takes. I think it would take years and years, and years, and even when you got there, then it would be a question of values and different appraisals, even with all the information, all the core drillings and all that would still disagree. And we need to move this thing along, it seems to me.

I do not want to present myself as an expert or even one who has looked into the negotiations, but I would think the way to do it ought to be with the sliding royalty of some kind that could be negotiated between Kennecott and Sealaska. I mean, the exchange, to the extent that its of value could be easily corrected by an additional royalty. I have no idea how much, but I think we ought to look into that.

And I understand you are making good progress with Atikon on Lake Florence.

Mr. ROBERTSON. I will ask Mr. Morrison to respond to that.

Mr. MORRISON. Yes, Mr. Chairman. My name is Gary Morrison. I am the forest supervisor on the Chatham Area of the Tongass National Forest, and Admiralty Island National Monument is part of the area that I manage.

Yes, negotiations have been going on for some time with all parties associated with, particularly, the Cube Cove area, but then expanding that to other areas with Sealaska. But with Shee Atika, who owns the surface on 23,072 acres at Cube Cove, negotiations have been going on for a little over two years, and I feel that a great deal of progress has been made.

We, a number of months ago, made an initial offer to Shee Atika to purchase the surface that the own at Lake Florence, which is approximately 6,000 acres, and that offer was based on our best appraisal using Forest Service appraising practices, and we are just now receiving a tentative counter-offer from Shee Atika for that subsurface. So, I believe we are getting very close to a point where we can settle on a value and a price for, at least, the 6,000 acres at Lake Florence, and hopefully, that will open the door for us to then begin talking about the additional 17,000 acres that is the remainder of the Cube Cove lands.

The CHAIRMAN. Now, is it difficult to settle Lake Florence and Cube Cove without Greens Creek?

Mr. MORRISON. It is not possible to settle the entire issue of Lake Florence and Cube Cove without Sealaska because they are the subsurface owners. It would be possible to negotiate a purchase or an exchange with Shee Atika for the surface at Lake Florence, and leave Sealaska as the subsurface owners.

The CHAIRMAN. But they would not want to have Sealaska as the subsurface owner, would they?

Mr. MORRISON. Well, we would be purchasing the Lake Florence surface from Shee Atika and Sealaska could remain as the subsurface owner. We would prefer to exchange with Sealaska so we can avoid a situation of split estates.

The CHAIRMAN. And it would be pretty hard to put together a package deal unless you want to get in there and do a taking, and just run rough-shod over everybody.

Mr. MORRISON. I believe so.

The CHAIRMAN. As you know, we are going into conference on this bill. I do not know how long the conference will take, but if we had a deal that was suitable to everybody, then we can put it in as part of the conference on this bill. I think it is safe to say that if it were a highly controversial matter, then it would be very hard to do as part of this conference. But if the Forest Service is satisfied as to equal value, the environmental community is satisfied that we have done the best we can—and I know the environmental community is very concerned about Lake Florence, as most everybody is, including the whole Cube Cove area—I think we ought to make a real effort to do that.

I do not know whether this idea of increased royalties to equalize value is possible, but I think we ought to look into that. Because that cuts through all the time of having to be sure about your value. So I think we ought to pursue that.

In effect, what I am saying is we ought to really make a real effort to get a package that everyone can agree upon and put it in this bill, so that we can avoid all of those problems.

Mr. ROBERTSON. We agree with that, Mr. Chairman. I would like to add on this idea of making a major effort out of exploration, or trying to determine values, that would involve development work, in terms of drilling in a National monument. It is roadless. And personally, I would be very, very concerned about getting into this National monument into a remote area, a roadless area, wild country, with equipment to do the kind of drilling that it would take to determine these values. The Forest Service would have a concern with that.

The CHAIRMAN. Well, I think all of us would. And I think even Senator Metzenbaum would. I think that is one of the things we have not thought through, and which was not part of our debate, and I am glad you just injected that.

Senator Garn.

Senator GARN. Thank you, Mr. Chairman. I have just a couple of observations.

First of all, I agree with you that it is very important that we move as rapidly as possible. I also agree it would not only be difficult, I think it would be ridiculous to go into that kind of an area. And I think Senator Johnston's invitation to Senator Metzenbaum would be very helpful, if he would go to Alaska and look at it. The terrain is quite different than that of Ohio. It is not quite as developed. It does not have the roads and the infrastructure to go out and do what you say.

So I personally would be absolutely opposed to the type of effort, in that kind of a pristine area, to going in to determine as best possible what those subsurface rights are worth.

I would also make one other observation on looking at royalties. And that gets back to my comment about how easy it is to flip around the $100 million that came out of that mine last year. Well, Kennecott lost money last year because of the initial investment going in. So I think you have to start asking that question, too: Does the government take any risk whatsoever, or only if they make a profit? What if they find nothing of any significance? Does the government then share in the losses and the development costs?

So if we are going to that concept I think you have to look at both sides of that coin as well. Kennecott could put in another $100 million or more and end up with $25 million worth of subsurface value. I do not know and you do not know. None of us are going to know that. All of us agree with Senator Metzenbaum on one point, we want as equal a value as we possibly can. I have never been known as a fiscal liberal in this body or been known as squandering the taxpayers' money—I have been called a lot of other things, but I have never been accused of wasting the taxpayers' money.

So I certainly agree with that concept. And if we can now get on with it as rapidly as we can. And if we consider that royalty, look at the investment of the private sector to determine and see if there is any reimbursement on the other end of that if there is no profit made.

I am through, Mr. Chairman.

The CHAIRMAN. I thank the Senator.

I just want to observe that I am not saying that there is an inequality of values. I really do not know what those values are. The Forest Service would have to determine that. But there is an unknowable factor here. I do not propose any particular formula. I do not propose that it be taken out of the Greens Creek Partnership, which I think they call it, or out of Sealaska. I do not know that that would be something to be negotiated. I just think we ought to look into that as an alternative to waiting and letting Lake Florence be——

Senator GARN. Oh, I do not disagree with looking into it as an alternative. I just wanted to make the point of their development costs involved. I would like deals like that all of the time, where I could invest with somebody, and if they made a profit I got money; if they lost money I did not share in the losses. I would take that deal any day of the week.

The CHAIRMAN. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman. I will be brief.

In your written statements, gentlemen, I think you indicated the value of the Nutkwa exchange, which is the only surface exchange to be approximately what?

Mr. BARTON. $14 million.

Senator MURKOWSKI. $14 million. So, Mr. Chairman, I think it is important to note that we have some definitive value which is based on current market value. And the timber is appraised on stumpage at current market value, is that right?

Mr. BARTON. That is correct.

Senator MURKOWSKI. Gentlemen, we are exchanging subsurface, vis-a-vis subsurface. And we have talked about the practicalities. And the Chairman has indicated the question of how do you get there from here to determine what the subsurface value is. Do you know, in your experience as land managers, any other instance where you have had a request to try and find a way, or a state-of-the-art method to value subsurface exchanges?

Mr. ROBERTSON. I do not know of any, or I do not know of any on an exchange. Now we have had some cases, like I mentioned. We had Otter Creek over in West Virginia, which was over in a wilderness area. And the person owning the mineral rights I believe was proposing to develop that. And we very much did not want the wilderness area developed. So we ended up in court buying that out. And we had a really hard time trying to determine the value of that. And as an example, there were two appraisals 300 percent apart. And they were both experts going in to try to figure out what the value was.

Senator MURKOWSKI. How did you resolve it? What kind of formula did you use?

Mr. ROBERTSON. We settled it out of court and split the difference.

Senator MURKOWSKI. Well, Mr. Chairman, I do not know that that enlightens our discussion any.

[Laughter.]

Senator MURKOWSKI. But it points out—I would object to any formula coming down that would make an exception for whatever the general policy is to exchange land. I mean I just cannot buy a special exception that would be written into law. And I think Senator McClure would have a difficult time setting a precedent.

The CHAIRMAN. This is already a special exception because it is not developed under the mining law of 1872. This is developed under ANILCA and whatever legislation we have. So it is already a special deal.

Senator MURKOWSKI. Well, I guess the Senator from Alaska's concern is that we do not set a situation here where we would be setting a precedent for other exchanges in Alaska that ANILCA provides for. Because I could see, Mr. Chairman, your patience waning after years of this process.

The CHAIRMAN. Well, there is nothing like this. And we can say this would not be a precedent for anything because there is only one Lake Florence and only one Greens Creek.

Senator MURKOWSKI. I do not want to pursue the discussion too much, Mr. Chairman, but there are other areas which could qualify for exceptions under similar circumstances. And I think it would be a very dangerous precedent for this Committee to try and apply some kind of a formula where we split the difference or some such thing. I think the realities are that we have to rely on the best professional opinions we have.

And the Forest Service is the land manager. You are supposed to have the expertise. If you do not, you are supposed to have the capability to go out and get it. And we expect you to lay your professional reputations down behind your recommendations. And you have given us a recommendation here and we can either accept it or reject it.

I have three short questions, Mr. Chairman. I assume the Forest Service wants to complete the Greens Creek and Lake Florence exchanges?

When will the Greens Creek land exchange be completed?

Mr. Robertson. I will ask Mr. Morrison to respond to that.

Mr. Morrison. At this point we are very close to coming to agreement in our negotiations with Sealaska for the elements of an exchange. We met again yesterday, so we have been meeting weekly and sometimes on a daily basis. And there are only two or three items that need some more work before we will have the elements of an exchange.

Senator Murkowski. Now the elements of this exchange, very briefly, without getting into any detail, I assume on the secondary exchange, involve two things: timber and money. Is that right?

Mr. Morrison. It involves timber at Nutkwa Lagoon. It involved surface at Nutkwa Lagoon. A variety of split estates, subsurfaces areas. And then a point that we still have a little work to do on is trying to come up with a method for the cash equalization.

Senator Murkowski. So I was right. It is timber and money?

Mr. Morrison. It is timber and money.

Senator Murkowski. Thank you.

When will the Lake Florence land exchange be completed?

Mr. Morrison. For Lake Florence, I believe we are very close with Shee Atika for the values, and therefore an offer for the surface. We are still working with Atikon Corporation to try to find some timber that would suit their needs off Admiralty so that we exchange more of that timber.

Senator Murkowski. Mr. Chairman, I do not want to mislead you. My question on timber and money were related to the Lake Florence exchange, not the Greens Creek exchange. I do not want to mislead anybody on that.

Please, proceed.

Mr. Morrison. With respect to the surface, I think we are very close with Shee Atika. With respect to the timber that is owned by Atikon Corporation, we have been working very hard with them since the beginning of this year to try to find timber of equal value off Admiralty Island that they could elect to harvest in exchange for the timber at Lake Florence.

And they have identified quite a number of areas of possibility. They are focusing in on a couple of areas that they particularly like. We are evaluating those areas, and also looking at some others for them.

Senator Murkowski. The statement that I made in my opening statement was that the Senator from Alaska would not support an exchange out of the existing scheduled timber base. Is it the Forest Service's intent to look for timber outside the scheduled timber base?

Mr. Barton. We have been looking for timber both within and without the present land base.

Senator Murkowski. For whatever it is worth, Mr. Chairman, the Senator from Alaska would oppose taking it from within the scheduled timber base. So I think it is fair to put the Forest Service on notice of that.

Let us move into one last area. And we are getting a little technical now. But how about somebody else's—I think the terminology is circle? The working circle is one terminology.

Mr. BARTON. I thought you said CRCLA, and I was trying to figure out how that fit here.

Senator MURKOWSKI. No.

Mr. BARTON. This is somebody else's working circle?

Senator MURKOWSKI. Yes.

Mr. BARTON. We are looking at all of the working circles across the Tongass. The areas that we are particularly sensitive to, of course, are the primary sale areas for the two long-term contracts, because there are certain contractual rights that are associated with those two long-term contracts. But we are looking at timber which is in the contingency areas for those contracts, and we are looking at timber which is not associated with those contracts in that way, and we are looking at timber that is not in the present timber base.

Senator MURKOWSKI. How do you make that final judgment?

Mr. BARTON. That is going to take a lot of wisdom and a lot of give and take with affected parties.

Senator MURKOWSKI. Well, we hope you can negotiate to resolve this.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Wirth.

Senator WIRTH. Thank you, Mr. Chairman.

Chief Robertson, I want to first of all express my thanks and that of many people in the State of Colorado for your flexibility on the Bowen Gulch issue. I know that you probably heard more about Bowen Gulch than you want to hear, but maybe this will be one of the last comments. But we really appreciate your being able to work it out. I am sorry that you and I could not work out a time to go out there together, but maybe one of these days we will have the opportunity to put that together. But thank you very much, and if we can help in terms of the exchange there, let me know.

Mr. ROBERTSON. Okay. Thanks.

Senator WIRTH. Can you tell us what a contingency area is?

Mr. ROBERTSON. They are associated with those two long-term timber sale contracts in Alaska, one held by Alaska Pulp Company, the other held by Ketchikan Pulp Company. And the purpose of them is to provide sort of a buffer. If there is not sufficient timber available in the primary sale area to meet the contractual commitments of the United States, then we can use timber that is located in a contingency area.

Senator WIRTH. It is my understanding that a couple of areas have been identified for possible exchange for Lake Florence. And I may have the pronunciation incorrect, but Tuxecan.

Mr. ROBERTSON. That is correct.

Senator WIRTH. Kosciusko?

Mr. ROBERTSON. Kosciusko.

Senator WIRTH. Now those are two of the areas that have been identified as a possible trade for the Lake Florence area, is that right?

Mr. ROBERTSON. That is correct. That is two of a number that we have been looking at.

Senator WIRTH. In either of those areas are there so-called contingency areas that are part of a contract for one of the other two long-term contracts? Is there any overlap?

Mr. ROBERTSON. Yes, in the contingency area for the Ketchikan Pulp Company contract.

Senator WIRTH. They are?

Mr. ROBERTSON. Yes.

Senator WIRTH. So Ketchikan Pulp does have rights in those two areas for potential exchange, is that right?

Mr. ROBERTSON. They have an interest, yes. The way the contract reads is that the government can sell timber in those contingency areas so long as there is a determination made that it is not needed to meet the contractual commitment.

Senator WIRTH. So if Ketchikan Pulp were to say that those lands are needed for them to meet their long-term contracts, even if Ketchikan Pulp made that claim, could you trade two of those areas? Could those two areas be part of a trade for Lake Florence?

Mr. ROBERTSON. The determinations would be made by the regional forester, not by the contract holder. So it would be the determination of the government whether it is needed or not. Now they would be an affected party, obviously, and there would need to be some discussion.

Senator WIRTH. So the issue would be if it is or is not needed. They do have some rights to that, apparently though, in the contract.

Mr. ROBERTSON. That is correct.

Senator WIRTH. And whether or not those rights are exercised is a determination that you make as to whether those rights are necessary to meet the conditions of the long-term contract, is that right? Is that the way it works?

Mr. ROBERTSON. Yes. If I determine that that timber is needed to meet the government's contractual commitment, then that is where we have to go, into this contingency area. We may not need it all, just a portion of it. That is the kind of thing we need to work out as we go down the road.

Senator WIRTH. Do you know at this point if they would need the timber in those two areas in order to meet their long-term contract?

Mr. ROBERTSON. No, I do not.

Senator WIRTH. Then that determination then must be made pretty quickly, if that is going to be part of a trade that has to be done relatively soon?

Mr. ROBERTSON. That is correct.

Senator WIRTH. When will you make that determination if they need that?

Mr. ROBERTSON. If we end up with those areas being the areas that are acceptable to the parties, then I will make a determination at that time. And if it is not acceptable, we will have to look elsewhere. I mean if the timber is needed we will have to look elsewhere.

Senator WIRTH. Have you had these discussions with Ketchikan Pulp?

Mr. ROBERTSON. We have had some discussions with Ketchikan Pulp.

Senator WIRTH. Ketchikan Pulp was opposed to the exchange of these two areas for Lake Florence, is that right?

Mr. ROBERTSON. They are concerned; I do not know that they are opposed. They will testify later, but I do not know that they are opposed. I know they are concerned.

Senator WIRTH. Mr. Chairman, thank you very much. I would have five questions for the record, at least. And maybe we could get this issue filled out again. And, Dale, thank you. Again, we appreciate your flexibility.

Thank you.

The CHAIRMAN. Gentlemen, thank you very much. And I am pleased that you are getting so close to what we hope is an agreement, or what we hope is close to an agreement. And we wish you well and quick action on that.

Thank you very much.

Mr. ROBERTSON. Thank you very much, Mr. Chairman. We appreciate the interest of this Committee in pursuing this.

Senator MURKOWSKI. May I ask one follow up question? On the roading in an area where there is existing roading, and the contractors put in the road for the Forest Service, but clearly the accessibility of the roads to the timber is beneficial in the selection of that timber, does the Forest Service receive compensation back if, say, this exchange should result in timber being made available in one of these contingent areas? Does the Forest Service get paid back by the logger for the road? Or is there an understanding with the holder of the contingency area that he has a first right?

Mr. BARTON. The existence of the road would be considered in determining the value of the timber.

Senator MURKOWSKI. So that is how you would get your return.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, gentlemen.

Next we would like all of the additional witnesses to come to the witness table. Byron Mallott, President and CEO of Sealaska, accompanied by Bob Loescher, his Executive Vice President; Bobby Cooper, General Manager of U.S. Mines of Kennecott Corporation; Mike Matz, Washington Director of Public Lands Programs for the Sierra Club; James P. Senna, President and Chief Executive Officer of Shee Atika; Richard Hirschberg, President of Atikon; and Martin Pihl, President and General Manager of Ketchikan Pulp Corporation.

Sorry to crowd you, but we have got a lot of witnesses.

And first of all, Mr. Mallott, we will put into the record, if you like, your letter to Senator Metzenbaum regarding salaries and compensation. And we will also put in the record whatever other response you would like to make on that. I think your letter to him fully deals with it. But if you would like to take part of your five minutes to deal with that, do as you wish.

So, please proceed, keeping in mind that we have got a lot of witnesses in a short period of time.

STATEMENT OF BYRON I. MALLOTT, PRESIDENT AND CHIEF EXECUTIVE OFFICER, SEALASKA CORPORATION, ACCOMPANIED BY ROBERT W. LOESCHER, EXECUTIVE VICE PRESIDENT FOR NATURAL RESOURCES

Mr. MALLOTT. Mr. Chairman, I am Byron Mallott, President and Chief Executive Office of Sealaska Corporation. And I would like to abbreviate even further my brief remarks.

I would like to thank particularly you, Mr. Chairman, and Senator Murkowski, for making the request of Senator Metzenbaum to meet with me. I look forward to the meeting, particularly to thank him for creating a very, very public record which I have been seeking for some time to create the opportunity to ask my board for a raise. The issue of compensation at Sealaska I think the facts bear out that our people are decidedly underpaid with respect to corporations of comparable size. And that is done consciously, particularly for those of us who are officers of Sealaska Corporation who are also shareholders, that cash compensation is not particularly why we are involved with these institutions.

Sealaska Corporation, Mr. Chairman, entered into the negotiations for the Greens Creek exchange some six years ago, all of it on the public record, all of it seeking to be responsive to what we considered the business needs of our corporation. But, also, the public interest issues that are involved in this exchange.

And I think it is important to note, very briefly, that in addition to the authorizing language that Senator Metzenbaum mentioned under the Alaska National Interest Lands Conservation Act, authorizing land exchanges of equal value, that same section also authorized exchanges in the public interest, not necessarily having equal economic value.

We are a corporation which, on behalf of our shareholders who are residents of the region, that in the past, since the creation of the corporation, has distributed to our shareholders some $120 million. We have paid to other regional corporations some $40 million under the 7(i) revenue sharing provisions of the Act.

And just one final comment if I could on the question of compensation at Sealaska. This year, because of the liquidity of the corporation from our earnings, we will distribute 40 percent of net income to our shareholders as dividends, totally something in the neighborhood of $6 million. The incentive compensation provided to all of the employees at Sealaska Corporation headquarters, which is ultimately responsible for the creation of that net income, totals this year less than 1.5 percent of our total net income.

Both the 1.5 percent I think by any corporation standard would be considered almost egregiously low, except for the unique circumstance of these ANSCA corporations and their obligations; and secondly I think that there can be no question that a 40 percent dividend payout to shareholders of net income in cash is very high indeed, also by any corporate standard.

Sealaska's obligation to shareholders is one that we take very seriously. And we have a range of programs that, in addition to cash dividends to shareholders, provide opportunity for our shareholders. We have in the last decade distributed over $1 million in scholarships to our shareholders in addition to last year having created a $2.5 million scholarship endowment for our shareholders. We have invested over $3 million in the past decade in a Sealaska Heritage Foundation, which has been able to attract additional millions in order to provide a broad range of not just economic, but social and cultural benefits and opportunities for our shareholders.

Mr. Chairman, we have submitted to the Committee extensive written testimony. Mr. Loescher is prepared to fully but in summary form be responsive to the details of the Greens Creek exchange. And I would like to end by thanking you very much, Mr. Chairman, for the opportunity to appear.

[The prepared statement and letter of Mr. Mallott follows:]

TESTIMONY OF BYRON I. MALLOTT, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AND ROBERT W. LOESCHER, EXECUTIVE VICE PRESIDENT, NATURAL RESOURCES, OF SEALASKA CORPORATION JUNEAU, ALASKA

BEFORE THE SUBCOMMITTEE ON PUBLIC LANDS,
NATIONAL PARKS AND FORESTS OF THE
SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES

JUNE 28, 1990

MR. CHAIRMAN:

I am Byron Mallott, President and Chief Executive Officer of Sealaska Corporation. I am accompanied here today by Bob Loescher, Executive Vice President, Natural Resources and Chris McNeil, Executive Vice President and General Counsel of Sealaska Corporation. I wish to thank you for giving us the opportunity to testify before the Subcommittee on S.2273, the Greens Creek Land Exchange legislation introduced by Senator Frank Murkowski. We support this legislation with a few changes that reflect the progress of negotiations among the various interested parties since this bill was introduced.

We hope that the Greens Creek land exchange is considered and approved by the H.R.987 conferees. Further, we hope that our friends at Koncor and Shee Atika can conclude a separate surface exchange with the Forest Service soon. The people of Southeast Alaska want closure on the lands use controversies that have been before Congress for so long. Resolving Tongass reform, Cube Cove and Greens Creek in this Congress would be a great legislative achievement.

We would like to begin by describing Sealaska and its guiding principles and policies. Sealaska Corporation, is the Alaska Native Regional corporation, chartered under the Alaska Native Claims Settlement Act, for Southeast Alaska. It has approximately 15,700 shareholders. It is our corporate philosophy to balance the need to provide economic benefits to our shareholders with a sensitivity for the social and cultural concerns and heritage of our people.

On the economic side, Sealaska is proud to state that since 1974 it has distributed approximately $9,000 to each of its shareholders. In the past four years alone, over $21 million of dividends have been distributed and another $5.6 million will be mailed to our shareholders before the end of this year. We have also distributed more than $39 million to other regions pursuant to Section 7(i) of ANCSA. We have been active in the timber harvesting and marketing business and in seafood harvesting, processing and farming. In the last few days, we announced publicly that our seafood subsidiary, Ocean Beauty Seafoods, has been sold. The proceeds will improve corporate liquidity and enhance our opportunities to enter into other profit-making ventures.

Our social obligation to our shareholders is evidenced by a number of our programs. We have established a $2.5 million scholarship endowment and made approximately $1 million in scholarship awards prior to the endowment. We contribute to the work of the Alaska Native Brotherhood and Sisterhood and have created a Sealaska Heritage Foundation. The Foundation administers the corporate scholarship program and develops and implements programs to advance the social and cultural interests of our shareholders. We have invested more than $3 million in the foundation which has, among other things, initiated a highly regarded professional Native theater.

Sealaska has an active shareholder hire program which has resulted in more than 70% of headquarter employees coming from our shareholder population. We have management internship program that provides meaningful work experiences and income to continue higher education for many of our younger shareholders. Each year, we contribute substantial funds to a host of other Native projects and programs.

I. HISTORY OF GREENS CREEK LEGISLATION

The issue that S.2273 seeks to resolve began in the 1970's when Shee Atika Corporation, an Alaska Native Corporation, chartered pursuant to the Alaska Native Claims Settlement Act, decided to select surface lands of extraordinary timber values in the Cube Cove area of Admiralty Island. Pursuant to ANCSA, Sealaska received the subsurface estate beneath the Shee Atika selection. From the outset, Shee Atika's selection was controversial. It was opposed by the conservation community, and another Alaska Native Corporation, Kootznoowoo. While Sealaska counseled Shee Atika as to the risks of making a selection in this prized area of Admiralty Island, it had no control over their free exercise of this legitimate property right, nor did Sealaska have any right to forego acquiring the subsurface estate beneath Shee Atika's selection.

In 1978, President Carter withdrew much of Admiralty Island from the operation of the public lands laws through his exercise of Presidential authority under the Antiquities Act. The Cube Cove area became a National Monument. In the Alaska Lands Act of 1980, the Cube Cove area was made into a National Monument Wilderness, subject to the valid existing rights held by Shee Atika and Sealaska. Over the next several years, the Sierra Club and Shee Atika engaged in extensive and highly charged litigation over Shee Atika's ability to harvest the trees at Cube Cove. Eventually, Shee Atika was victorious.

In the Alaska Lands Act, Congress also provided for mining activities to take place in the Greens Creek area of Admiralty Island.

In 1985 and 1986, the 99th Congress worked hard to enact land exchange legislation that would have paid Shee Atika fair value to exchange its interest at Cube Cove for other interests prior to the initiation of timber operations. A second aspect of that land exchange would have given Sealaska all or part of the rights to the same Greens Creek subsurface that is the subject of S.2273. While the terms of the subsurface exchange were different than they are today, many of the lands in question are identical. Hearings were held in the House and Senate.

In 1986, the House passed H.R.4883, the Admiralty Island Land Exchange Act of 1986.

Under the terms of that legislation, Sealaska would have surrendered its subsurface estate and the Cube Cove lands (approximately 23,072 acres) for 60% of the Greens Creek subsurface lands, plus significant values to substitute for the 40% of Greens Creek given to Shee Atika instead of Sealaska. Sealaska would have acquired a leasehold interest in the Greens Creek surface lands, over 4,700 acres of prime mineral development property at Hetta Inlet and any federally owned subsurface estate underlying lands conveyed to Goldbelt Corporation at Hobart Bay pursuant to the April 11, 1979 exchange agreement.

For a variety of reasons, the Senate was unable to complete companion legislation and the effort to preserve Cube Cove in its pristine state died. Soon thereafter, Shee Atika began the successful timbering operation at Cube Cove that continues today. They entered into a Joint Venture with Koncor, a corporation formed by four separate Alaska Native village corporations. Koncor is in the business of cutting timber and is a highly professional, successful operation. The Joint Venture of Koncor and Shee Atika, called Atikon, controls the Cube Cove surface estate today.

Between 1987 and 1989, Sealaska pursued a standard administrative land exchange with the Forest Service through which it sought to trade its 23,072 acres of subsurface at Cube Cove for the 18,839 acre parcel of subsurface at Greens Creek that is described in S.2273. Because of the comparable geology of Cube Cove and Greens Creek, paralleled eloquently in two USGS surveys, and the acreage surplus the government would have gained, Sealaska still believes that simple trade to be a fair approximation of equal value.

The Forest Service did not approve the Sealaska administrative exchange for two principal reasons. First, it was afraid that conveyance of the Cube Cove subsurface prior to the completion of the surface timbering operations would trigger more litigation over the surface rights of Shee Atika and Koncor. That litigation would have embroiled the Forest Service. For that reason, purportedly it would not have been in the public interest. Second, the Forest Service was not persuaded that the two parcels were of equal value.

In 1989, Sealaska continued negotiations with the Forest Service, Shee Atika, Koncor and other interested parties for the purpose of completing a Greens Creek exchange and encouraging an exchange involving, at a minimum, the uncut Lake Florence part of Cube Cove surface prior to harvest. The harvest of Lake Florence is scheduled to begin in the spring of 1991. A Greens Creek amendment that would have expedited the negotiation of both exchanges was one of the provisions included in the Senate's Tongass negotiation package for discussion with the House last November. Those negotiations were not fruitful, and the Greens Creek issue was not resolved.

Subsequent to the November, 1989 breakdown of the Tongass reform bill negotiations, Sealaska conferred with the Alaska Congressional delegation, the Forest Service, other Members of Congress, the Greens Creek Joint Venture, Shee Atika, Koncor, the conservation community and other interested parties. Sealaska determined that a reconfigured version of the Greens Creek exchange legislation, excluding the subsurface at Cube Cove, would be more acceptable. On March 9, 1990, Senator Murkowski introduced S.2273, and on March 15, Congressman Young introduced an identical bill, H.R.4295, both entitled the Greens Creek Exchange Act.

II. EVOLUTION OF THE SEALASKA OFFER

The evolution of our Greens Creek offer can give the Committee perspective on the reasons why Sealaska views its exchange package to be of equal value and in conformance with a number of administrative, legislative and policy goals.

We have described already the legislative effort in 1985-1986 and the administrative land exchange proceedings. Facing the problem of uncertain valuation of a natural resource property and the impossibility of having drilling programs conducted on all of the subsurface exchange property to define their precise values, Sealaska took a page from standard federal government practice with regard to disposition of speculative natural resource properties. Early this year, Sealaska altered its offer to include a tangible asset (analogous to a bonus payment in an oil and gas lease), in addition to the value equalization payment and the subsurface estate. This reconfigured offer received a much warmer reception and remains the foundation of the Sealaska/Forest Service.

The surface estate was not chosen lightly. Sealaska conferred with the conservation organizations most knowledgeable about lands in Southeast Alaska. Their first choice was the Nutkwa Lagoon area. Not only does it host the most productive pink salmon fishery in Southern Southeast Alaska, but it also contains extraordinary recreational, aesthetic and ecological values. Moreover, this area is the gateway to the Nutkwa LUD II area scheduled for permanent protection designation in both the House and Senate Tongass Bills.

This offer of values for the Greens Creek subsurface was memorialized in S.2273 and H.R.4295. The final agreement reached by Sealaska and the Forest Service was built upon this offer.

III. VALUATION AND PUBLIC INTEREST

We wish to focus our testimony on the issue that has drawn the most attention. As with any exchange, the critical question is whether it is a good deal for the United States government and, therefore, should the United States government enter into the exchange. When the Greens Creek Exchange is held up to the light of the existing statutory standards for such exchanges, and when it is compared to other exchanges approved by Congress, the answer is a resounding yes.

We begin with an examination of the legal standard applicable to such exchanges. Section 22(f) of ANCSA and 1302(h) of ANILCA establish two standards for making such exchanges. The first standard is equal value, and the second standard is public interest. Congress has twice spoken and twice expressly sanctioned exchanges that were not of equal value where a demonstration of public interest could be made. In the exchange at hand, there is no concrete evidence that equal value has not been reached, rather the criticism has been that it cannot be determined precisely. In part, it was for such instances that Congress added the public interest test.

Section 22(f) states that the Secretary of Agriculture is "authorized to exchange lands or interests therein, including Native selection rights, with the corporations organized by Native groups, village corporations, regional corporations." Congress went on to state that

> "Exchanges shall be on the basis of equal value, and either party to the exchange may pay or accept cash in order to equalize the value of the property exchanged: Provided That, when the parties agree to an exchange and the appropriate Secretary determines it is in the public interest, such exchanges may be made for other than equal value."

Nine years later, Congress reaffirmed this legislative directive in Section 1302(h) of ANILCA. Using almost identical language, Congress stated that

> "Notwithstanding any other provision of law, in acquiring lands for the purposes of this Act, the Secretary is authorized to exchange lands (including lands within conservation system units and within the National Forest System) with the...regional corporations.... Exchanges shall be on the basis of equal value...except that if the parties agree to an exchange and the Secretary determines it is in the public interest, such exchanges may be made for other than equal value."

The term "Secretary" is defined at Section 102(12) of ANILCA to mean the Secretary of Agriculture with respect to units of the National Forest System. The Greens Creek exchange is clearly an acquisition that meets the "purposes" of ANILCA as set forth at least three of the four paragraphs in Section 101, of the "Purposes" section, of that Act.

The legislative history of the exchange authority makes it clear that the public interest test was intended to facilitate land exchanges with Native corporations and that the Congress wanted this authority to be used regularly. In the Senate Report on ANILCA, (Sen. Rept. 98-413), the Committee evidenced a desire for exchange authority to be used, and condemnation authority to be avoided wherever possible. In explaining Section 1302, it stated that "the intent of this approach is to maximize the use of exchange authority and minimize the use of condemnation authority wherever possible." It went on to state that "it is the intent of the Committee that the exchange authority be used as the major tool of acquisition authority."

The House Report on ANILCA (House Rept. 96-97) states that the 1302(h) authority is modeled on Section 22(f) of ANCSA and "is intended to provide the Secretary with great flexibility in acquiring lands, by permitting him to enter into exchanges. This flexibility extends to making an exchange of land within conservation system units."

Congress also provided that the agency with whom the exchange is made is to be the arbiter of the public interest test. In this case, the Forest Service has that jurisdiction and has made a public interest determination. That finding is part and parcel of the exchange agreement being negotiated by the Forest Service and Sealaska.

Some have suggested that only a non-speculative equal value test should be applied to this exchange. There is no justification for changing the statutory requirements enunciated by Congress to thwart this exchange. To do so would be inequitable and would effectively repeal existing law without the appropriate legislative process. The constitutional power granted to Congress to legislate was granted only if exercised in the form of voting on specific statutes.

Not only should Congress look at the statutory language applicable to Native exchanges such as the Greens Creek proposal, but it should weigh this exchange against existing precedent. A number of land exchanges have taken place that have been legislative in nature, or in which Congress has ratified exchanges sanctioned by the Federal agency of jurisdiction. We know of no reason why Congress should treat the Greens Creek proposal more harshly than comparable exchange proposals.

Most of the land exchanges approved by Congress were at one time or another criticized by some individual or entity for being of unequal value, for having speculative values that were hard to appraise, or for not being in the public interest. While some Members may have felt that these exchanges were not a good deal for the Federal Government, the majority in Congress felt otherwise, and they were consummated. In many of these cases, a number of years have passed since these exchanges were completed. We know of no instance in which such an exchange turned out to be harmful to the Government's interest, or has been the subject of a Congressional effort to repeal or amend the exchange legislation. Most important, Sealaska believes that the Greens Creek exchange stacks up well against any of these other exchanges, and that a comparison with them militates for prompt enactment of the Greens Creek legislation. We cite a few representative examples.

In 1988, Congress passed legislation that exchanged the BIA Indian School property in Phoenix for lands in the Florida Panther National Wildlife Refuge (P.L. 100-696, Title IV). The value of the conservation lands in Florida was intangible, clearly not subject to a refined appraisal or assessment. Moreover, the issue of speculative mineral values was circumvented: the subsurface mineral rights, including areas of significant oil and gas potential, were retained by the Collier family that traded the surface estate to the Federal Government. Should those properties be developed, there will be no Government income stream from them, and some potential damage to the conservation lands could occur.

On the other side of the equation, the Collier family acquired a downtown Phoenix property of substantial economic worth. Several appraisals were done that confirmed the value of the property, although the appraisal numbers varied considerably. In contrast to the Greens Creek exchange, the Government incurred considerable risk by acquiring the speculative value lands and surrendering the tangible value lands.

Objectively speaking, the Greens Creek Exchange has more of a pro-Government balance than the Phoenix Indian School exchange. Yet, it would be hard to say that the Phoenix-Florida exchange was not a good deal for the Government. The real estate market in the Southwest, including Phoenix, has deteriorated terribly, diminishing the value of the Phoenix Indian School property. The public has gained the benefit of use and permanent protection of the conservation areas in Florida.

In the Nevada/Florida Land Exchange Authorization Act of 1988, P.L. 100-275, the federal government conveyed approximately 38,500 acres of desert land in Nevada to the Aerojet General Corporation in exchange for only 4,650 acres of lands in Florida. On both sides of the equation, the lands were of speculative value, so the vast deficit of acres suffered by the federal government raised some eyebrows. Yet, Congress approved the exchange, and also directed the Secretary of the Interior to lease 14,000 acres of public lands to Aerojet for 99 years "during which time no rental shall be required to be paid to the United States." Congress stated that the exchange of lands made pursuant to this act was to be on the basis of equal value.

Again, the public has received greater benefits than Aerojet since the exchange took place. Precious acres of Florida wetlands have been protected in perpetuity for the benefit of the public. The acreage has been used to augment the water conservation activities of the South Florida Water Management District, including the protection of drinking water and maintenance of proper water flows in the Everglades National Park. Funds generated through the sale of the exchange lands to the South Florida Water Management District are to be used for the purchase of wildlife habitat at two National Wildlife Refuges in Florida to aid in the effort to preserve two endangered species. For a variety of commercial reasons, Aerojet has not gained the economic benefits it hoped to realize in its rocket manufacturing, assembly and testing operations.

In an Alaska land exchange, the NANA Red Dog exchange, authorized in P.L. 99-96, lands of purely speculative values were exchanged in an effort to provide a transportation corridor so that NANA could go forward with its development of the Red Dog Mine. Valuable rights to use sand, gravel, and related construction materials were guaranteed to NANA. Without any question, NANA gained the greater commercial values from this exchange, yet the government gained public interest benefits through the valuable conservation lands it acquired.

In large part due to the transportation access provided through this legislation, the Red Dog Mine has been able to commence operations. Just like the objectives of the Greens Creek proposal now before Congress, this mine provides jobs on a year-around basis in an area of high unemployment. It has enabled NANA to implement a successful shareholder hire program and has improved the economy of the Northwest region of Alaska, and generates tax revenues for the United States. Unlike the Greens Creek exchange, the government will receive no value equalization payment from the considerable revenues of the Red Dog Mine facilitated by land exchange legislation. Red Dog is a 7(i) asset, just as Greens Creek would be.

Let us examine closely what value the government is getting by way of value and what it is giving up. By doing so, we will demonstrate that we have met one or both of the alternate statutory criteria.

We begin with the crown jewel of the government's acquisitions: Nutkwa Lagoon. This area was chosen because it was the top priority of the largest Southeast Alaska conservation organization in Southeast Alaska from within Sealaska's portfolio of surface estate and because it adds so significantly to the adjacent Nutkwa LUD II area the Senate has chosen for permanent protection in its version of H.R.987. The House, of course, would make the Nutkwa area a wilderness.

The treatment previously given by Congress to the adjacent Nutkwa area speaks for itself as to the conservation, subsistence and wildlife values in these lands.

However, there are very substantial economic values that Sealaska is surrendering to the federal government at Nutkwa Lagoon. The Nutkwa Lagoon parcel offered by Sealaska contains over 58 million board feet of timber. Under current market conditions, Sealaska would expect to realize as much as $9.4 million of net revenues from timbering this area. Merchantable timber is a cash equivalent--there is a ready market, we have an established record as to our ability to cut it profitably, so we can convert it to cash at any time.

But that is not all of the value at Nutkwa Lagoon. Private land is a scarce and prized commodity in Southeast Alaska. Private land in an area of such aesthetic beauty, with so much waterfront access an extraordinary fishing resource and a permanently protected land status adjacent to it, carries great intrinsic value and sells at a premium price. The recreational value of Nutkwa Lagoon, absent the trees, is conservatively estimated at $4 million. Sealaska made this projection by comparing this property to other private lands sold in Southeast Alaska in recent years and by utilizing a March, 1990 estimate of waterfront and non-waterfront lot values submitted by the Forest Service to Shee Atika during their negotiations regarding the Lake Florence area acquisition.

Yet that is still not all of the commercial value of Nutkwa Lagoon. Nutkwa Lagoon contains Nutkwa Creek, which supports the finest and most productive pink salmon fishery in Southern Southeast Alaska. Alaska Department of Fish and Game statistics we have enclosed demonstrate that this fishery is worth over $7 million a year, based on an average of the last three years. If the Greens Creek exchange is approved by Congress, then permanent protection will be afforded to that precious fishery.

What is the government's economic gain from acquiring Nutkwa Lagoon? Over $13 million of tangible, cash equivalent, timber and recreational sales values, plus permanent protection of a pink salmon fishery worth over $7 million. Add that to the aesthetic, biological and other conservation values attributable to the area and it is clear that this is the crown jewel of the government's acquisitions.

Moreover, when the Nutkwa area was offered initially by Sealaska, it comprised about 1,860 acres. In our later negotiations with the Forest Service, that area was expanded to almost 2,500 acres, and the subsurface estate, with a mineral reservation, has been added to the offering. The additional acreage follows ridge lines and includes a watershed, all of which enhances the conservation values as well as the economic values. Sealaska has made a great sacrifice in offering Nutkwa Lagoon to make this exchange work.

The second tangible element of value offered to the Federal Government is the value equalization payment. This is a novel concept invented by Sealaska to respond to the problem of having speculative natural resource land values involved in the exchange. It is a reasonably simple concept. If Sealaska leases its lands at Cube Cove in exchange for a net smelter royalty, the Government will receive ten percent of the proceeds from that royalty. If Sealaska invests in the development of Greens Creek, it will enter into some form of joint venture. Ten percent of the proceeds realized by Sealaska from its interest in the Joint Venture will be distributed to the Government.

Federal agencies and Congress have sanctioned a number of land exchanges in recent years with speculative land values. In no instance did they require the recipient of the lands with natural resource potential to guarantee an income stream should the resources be developed. Sealaska has volunteered to do so.

Comments have been made as to whether the ten percent level for the value equalization payment is too high or too low. This is not a true royalty--it is a mechanism to provide the last element of balance in a land exchange that includes speculative natural resource lands. Therefore, it contrasts with royalties paid by private interests to federal or state governments because those royalty payers do not also give the government the great array of other values we have offered. Unlike Greens Creek, in normal royalty situations, the government looks to the royalty as its major source of value. The one similarity is that royalty payers pay a portion of the revenues they receive from their property. State and federal royalty rates vary from about 5% to 16 2/3%. This provides some guidance as to what portion of our revenues could be surrendered. The 10% rate is in the mid-range for such imposts.

The next element of value to the government is the Cube Cove subsurface. Cube Cove has long been prized by the conservation community and the Forest Service as a National Monument Wilderness inholding to be reacquired by the Government when possible. The conservation values of eliminating inholdings such as this one on Admiralty Island are well documented. Other witnesses today will surely expound upon them.

Beyond those values, we want the Committee to recognize that there are significant mineral prospects in the Cube Cove area. Sealaska has had many requests from mining companies to do exploration work in Cube Cove because they felt that the mineral potential was extraordinary. Sealaska has rebuffed those requests because Sealaska has long supported Federal reacquisition of the entirety of the Cube Cove inholding. Our corporate policy does not, however, diminish the actual geological values. We have submitted to the Committee a bibliography of USGS and other studies of Admiralty Island's geology because we are convinced that you will see that the geological potential of Cube Cove is in the same league as Greens

Creek. Also, the sheer magnitude of the Cube Cove acres we are offering -- 23,072 -- should not be ignored.

The subsurface interest we are offering at Katlian Bay and Alice and Charcoal Islands have a substantial value, as well. The Forest Service has evidenced an interest in acquiring those lands so that they can convey them to Shee Atika as part of an exchange for Shee Atika's Cube Cove interests. Shee Atika is a surface holder of those lands, and wants to own them in fee. The lands have a great potential for recreational sales and development. The value of those lands on the private market will be enhanced considerably by Shee Atika's ability to offer fee estate, rather than a surface estate only. Would you, as a prospective buyer of recreational property, want to own only the surface and be beholden to another entity should you wish to dig a foundation for a cabin, or put in a septic system? Sealaska estimates that Shee Atika will gain as much as a $1,000 per acre in value should they acquire our subsurface. This parcel, therefore, could be worth over $3 million.

The Port Houghton acres are designated to become a wilderness inholding in the House version of H.R. 987. They are in a highly mineralized zone that has supported mining operations in the past. There is both public and economic interest in the acquisition of these lands.

The Angoon acreage we are offering extinguishes another Admiralty Island inholding.

What is this entire package worth? That is hard to say, but the Nutkwa Lagoon area alone could be valued at over $20 million and the remainder of the land package could carry a comparable price tag. Between the Katlian Bay and the Alice and Charcoal Island parcels and Cube Cove, $14-15 million of value can be estimated reasonably. To give the Committee some guidance as to valuation of the Greens Creek lands Sealaska will acquire, and the area Sealaska would give up, we have submitted two documents to the Committee not produced by Sealaska. One is a 1990 Forest Service letter, and the other is a document developed largely by the Forest Service during the H.R. 4883 deliberations.

The interests Sealaska acquires besides Greens Creek are essentially non-economic. They improve management by eliminating split estates, and add to the subsurface portfolio of Sealaska. However, none of the areas has any demonstrable mineral potential or other known potential for conversion into dollar values.

The focal point of Sealaska's acquisition package is Greens Creek, without any question. The potential merits of Greens Creek have been described. While there are no known ore bodies in the area, Sealaska has long desired to acquire this area because of its potential: not just potential for income, but potential for providing shareholder jobs and spin off service contracts to small businesses owned by shareholders.

However, we wish the Committee to understand the risks attached to our side of the Greens Creek land exchange. As a responsible corporation, we must do a risk and reward analysis on any investment. On the risk side, the Greens Creek lands carry the following problems:

1. There is no known economic ore body in the lands Sealaska would acquire. Being near a natural resource deposit is no guarantee that there is anything on your land. The best example is the Mukluk oil drilling fiasco on the North Slope. This apparent reservoir, in the midst of discoveries all over the North Slope of Alaska, was as close to a sure thing as the oil industry ever finds. Several hundred million dollars later, it was nothing more than a dry hole. This could be the case with Greens Creek.

2. Claim holders who have acquired their property under the Mining Law of 1872 are allowed to pursue mineral veins extralaterally beyond their claims so long as the apex of the vein is within their claim. While this is an extremely complex body of law, we can say unequivocally that this long-established mining law principle detracts from the potential of the Greens Creek exchange lands. While Senator Metzenbaum described veins that could emanate from the Greens Creek claims and penetrate much of the exchange lands, he failed to note that such veins are probably the property of the Greens Creek Joint Venture.

3. The Greens Creek lands Sealaska would acquire have been explored fairly extensively and no valuable mineral discovery was proven in any of those areas.

4. Hard rock mining in Alaska, and elsewhere in the United States, is difficult to do profitably. This is the predominant reason why there are only two mines functioning in Alaska, the Red Dog Mine near Kotzebue, and Greens Creek. Moreover, the Greens Creek mine has not yet made a profit, a fact that is quite troubling to Sealaska. It is no trick to find minerals and not be

> able to mine them profitably. A mineral deposit not large enough to extract at a profit is essentially worthless.

Almost all the risk in this transaction is being borne by Sealaska. If there are no minerals or only a small quantity of mineable minerals, Sealaska will have given up a great deal of value for little or no return. If there is substantial mineralization, then the Federal Government will get a large return, both in the value equalization payment, and tax revenues, plus the tangible assets offered by Sealaska. The alternative -- not ratifying this exchange -- is the only one in which the government will get no value from the Greens Creek lands.

IV. POLICY, ECONOMIC AND PUBLIC INTEREST BENEFITS FROM OPENING THE GREENS CREEK AREA TO MINING VIA EXCHANGE

In an April, 1990 letter from the Forest Service to Sealaska, USFS said, "We support the conveyance of the Greens Creek minerals either through an administrative exchange or by legislation." The Forest Service went on to describe its first public policy objective in this manner: "to promote the continued viability of the Greens Creek Mining operation through the utilization of subsurface rights subject to reasonable regulation by the Forest Service of the use of the surface estate."

More recently, the Forest Service sent a letter to Sealaska dated June 8, 1990, describing the current status of the Greens Creek land exchange negotiations. On June 11, Forest Service Chief Dale Robertson wrote to Senator Murkowski on the same subject. Both letters were included in the Senate floor debate on H.R.987. From our view, the crucial statements for the Committee to consider were these:

(1) "The Forest Service supports full development of the Greens Creek mineral deposit through conveyance of minerals to private ownership utilizing land exchanges." (June 8, and June 11, 1990 letters)

(2) "With respect to Greens Creek there has been significant progress toward a negotiated agreement...I believe we now have the essential elements of an exchange." (June 8, 1990 letter)

(3) "We fully expect that Congress will ultimately need to ratify our agreement. Legislative action must promote

our reaching a satisfactory agreement." (June 8, 1990 letter)

(4) "We support the basic purposes of the Greens Creek Exchange." (June 11, 1990 letter)

Southeast Alaska's principal conservation group, SEACC, also supports the Greens Creek land exchange because of the benefits it would provide. In a May 18, 1990 letter to Senator Johnston, SEACC stated that it favored including the Greens Creek Amendment into H.R.987. SEACC went on to say, "We support the Greens Creek exchange amendment. We think this is a fair value exchange which reso[illegible] a long-standing issue. We especially like the 10% royalty provision and the addition of important lands adjacent to the Nutkwa protected area. These scenic lands at the entrance to Nutkwa Lagoon possess very high fish, wildlife, subsistence, and recreation values. Also, we support an additional amendment to this Greens Creek lands exchange amendment which would secure protection of Lake Florence, a valuable watershed located in the heart of Admiralty Island."

In a June 11, 1990 letter to Committee Chairman Johnston, the State of Alaska voiced support for the Greens Creek Exchange (also attached). Sealaska is, of course, the largest corporation headquartered in Southeast Alaska. It has almost 16,000 shareholders, the majority of whom live and work in Southeast Alaska. The exchange is also supported by the Greens Creek Joint Venture, while the Alaska Loggers Association has stated in a recent letter that it has no objection to it. Even the Sierra Club which has so strongly advocated the necessity to resolve all of the Cube Cove inholding at once, stated in a June 13, 1990 letter to Senator Johnston, read into the Tongass floor debate, that "we do not oppose a land exchange that gives land surrounding the Greens Creek silver mine to Sealaska Corporation."

There are many reasons why such a diverse group of key players in Southeast Alaska support or are comfortable with the Greens Creek exchange. Foremost among the policy, economic and public interest benefits springing from consummation of the exchange are these:

(1) Many jobs will be created if an economic ore body is discovered in the exchange lands. We estimate that 250 jobs can be created for a 10-15 year period, plus additional jobs during construction phases. These jobs will create spin-off employment, and an increased tax base. Greens Creek presents a relatively rare

opportunity to create year-round employment in an area where seasonal employment is the norm.

(2) For Sealaska, the Greens Creek exchange holds particular significance because it will enable our corporation to implement a shareholder hire program for this mining project. Congress has encouraged such programs for Alaska Native Corporations both in ANCSA and in the "1991" ANCSA Amendments. It will enable many of Sealaska's shareholders to have the opportunity to gain experience in highly skilled trades, thus improving their long-term employment picture. In many of our rural communities, there is a hard-core unemployment problem that leads to many social and community hardships. When an extraordinary employment opportunity such as Greens Creek arises, Sealaska feels duty bound to make the most of it.

(3) Development of this area is environmentally sensible. The mining would be underground, and, to the greatest extent possible, would use the existing infrastructure installed by the Greens Creek Joint Venture. It is located in an area that Congress has already sanctioned for mining in the Alaska Lands Act. From its inception, Greens Creek has been one of the most highly praised developments from an environmental standpoint.

(4) The Greens Creek subsurface estate would be a 7(i) asset. Pursuant to Section 7(i) of ANCSA, the potential benefits from this development would be spread to 91,000 ANCSA shareholders throughout Alaska and the rest of the country. Approximately 56% of the income stream remaining after payment to the government of its value equalization payment would be spread to ANCSA shareholders who are not Sealaska shareholders. Numbered among these beneficiaries are some of the poorest people in the United States.

(5) Under the terms of the proposed legislation, the U.S. government would receive a precedent-setting value equalization payment which it would use to acquire inholdings at Lake Florence, on Admiralty Island, and ultimately in the rest of the Tongass. Acquisition of these private inholdings would serve to improve the management of the Tongass and its various values. We have appended a map that shows the Greens Creek claims, and the lode claims held by the Joint Venture north of the Monument. The area in green is the exchange land Sealaska would acquire. Only from the area in green

would the government get an income stream should minerals of value be extracted.

(6) The exchange contemplated by the Forest Service and Sealaska, as described in June 8 and 11, 1990 Forest Service letters, would eliminate several split estates in Southeast Alaska, which will facilitate proper land management and is in conformance with Forest Service policy.

(7) This exchange would enhance the opportunity to eliminate all inholdings at Cube Cove, which are National Monument Wilderness inholdings. Among other things, it will provide capital and subsurface assets desired by Shee Atika as part of a surface exchange package.

(8) Finally, the Alaska Native Claims Settlement Act expressly gave Alaska Natives an opportunity to pursue their economic potential. Congress sought to provide jobs and income to people in some of the remotest parts of this country and in some of the highest unemployment areas in this country. It sought to improve the social well being of Alaska's Native population as well. S.2273, with the suggestions we will describe, would serve all of those statutory purposes.

V. SEALASKA POSITION ON S.2273

While we strongly support Greens Creek Land Exchange legislation, we would like to see certain improvements incorporated into S.2273 to reflect the considerable progress made in negotiations among the various interested parties since its March introduction date. We have submitted a version of S.2273 with several amendments for your consideration. There are a few noteworthy changes from the original legislation.

Calculation of the value equalization payment has been refined. Should this legislation be enacted and should the exploration program discover an economic ore body, Sealaska will probably choose to be a passive landowner, leasing its land to the Greens Creek Joint Venture for the highest lease payment that it can negotiate. Sealaska commits to pay the government 10% of every dollar it receives from leasing this subsurface estate. This is an "off-the-top" royalty.

None of us has a crystal ball--we simply cannot see 10 or more years into the future. We see no reason why the format of today's legislation should dictate the type of investment made years down the road, particularly if the government gains nothing from the proscription. As a result, Sealaska wishes to preserve the option of investing, as a joint venture partner, in the development of the Greens Creek lands it would acquire through this legislation. In that event, too, Sealaska would give the government 10% of the proceeds it receives from the development of the property. In this instance, however, the 10% would be based on its share of the new joint venture's return, calculated using the generally accepted accounting principles applicable to the mineral industry. We do not believe that Congress should discourage this option--it could result in a far greater revenue stream to the government.

A few questions have arisen regarding the value equalization payment that we wish to clarify. First, under all circumstances, it would be in Sealaska's interest to maximize its return, whether as a passive or active investor. By doing so, it will maximize the value equalization payment. We know of no legitimate circumstance in which we could depress the amount of the value equalization payment while maximizing our corporate return. Such an attempt would violate both the spirit and letter of this provision.

The fact that Greens Creek would be a 7(i) asset does not alter the government's value equalization payment. The 7(i) allocation is applied to the remaining 90% of the revenue stream, after the 10% VEP has been taken off the top.

If there were more than one ore body and Sealaska chose to invest actively in the first and be a passive land owner in the second, the value equalization payment calculation applicable to properties in which Sealaska takes an equity interest would apply to the former, and the passive calculation approach would apply to the latter.

Another improvement we endorse is an advanced funding and reimbursement mechanism for the inholding acquisition fund. Comparable to other such mechanisms in federal wildlife and public land law, this approach would enhance the government's ability to acquire Cube Cove inholdings prior to further timber harvesting. Essentially, it is a no risk proposition to the federal government. If an economic ore body is discovered and the value equalization payment kicks in, then the government will acquire this desired inholding with funds from a private source. In the event that an ore body is not found, the government will only have paid no more than fair value for Lake Florence and will have gotten a long sought-after parcel with national interest implications.

The last major improvement is the most obvious. It is well known that negotiations between Sealaska and the Forest Service have progressed dramatically since S.2273 was introduced. In March, the Forest Service and Sealaska still were unable to agree on exchange terms. To the extent that disagreement made this subsurface exchange controversial, it made favorable Congressional action more problematic. In the last few weeks, Sealaska and the Forest Service have reached agreement on the elements of an exchange that is in the public interest. In deference to those negotiations, and to the responsibilities Congress delegated to the Forest Service under Section 22(f) of ANCSA and 1302(h) of ANILCA, the Greens Creek legislation should incorporate the agreed upon exchange terms.

As with virtually all land exchanges, the exchange terms and all technical issues must be memorialized in a formal, written agreement. Sealaska and the Forest Service are well along in their drafting of such an agreement. As of today, concurrence on most of the technical issues has been achieved and language has been incorporated in the draft agreement. This includes many of the "outstanding issues" cited by the Forest Service in the June 8 and 11 letters. The paragraphs that remain to be inserted should not be difficult to finalize, so we expect an agreement will be ready for signature in the next few weeks.

We concur with the suggestion made on the Senate floor that the Greens Creek legislation be conditioned on execution of a written exchange agreement between Sealaska and the Forest Service. We see no reason why the Greens Creek legislation cannot require that such an agreement be completed, and possibly submitted to Congress, before the exchange is consummated.

There are several basic differences between the values that were to be exchanged in S.2273 and the values on each side of the equation in the recently completed Sealaska/Forest Service deal. Sealaska has made major concessions and surrendered very substantial values in order to reach agreement with the Forest Service. The question is not whether the Greens Creek exchange is a "give away" to Sealaska. In our opinion, the question is whether we have surrendered too much value and taken on a disproportionate amount of the risk.

Sealaska will now convey to the government an enlarged surface estate at Nutkwa Lagoon plus the subsurface beneath, less a minerals reservation. This area contains over 58 million board feet of timber with a net value to Sealaska of over $9 million. This is a cash equivalent and represents a tremendous gamble on our part: $9 million of cash today is worth more than double that 10 years from now when we might begin to enjoy the commencement of a Greens Creek revenue stream. In the five or more years since it has been public knowledge that a Greens Creek exchange would be entertained by the Forest Service and Congress, not one entity save Sealaska has offered cash or a cash equivalent to the government for an opportunity to explore and possibly develop Greens Creek. We will describe the values in Nutkwa Lagoon in more detail in a later section of this testimony, but wish to emphasize here that we have surrendered about one-third more in surface estate in Nutkwa Lagoon since the introduction of S.2273. We have also agreed to surrender the subsurface estate of at Nutkwa Lagoon, subject to a mineral reservation, none of which was in S.2273.

The value equalization payment has been altered to reflect gross rather than net income should Sealaska be a passive land owner. It also provides for the equivalent of a gross income percentage royalty from the profits Sealaska will receive should it take an equity interest in the development of Greens Creek. This, too, makes the new Sealaska/Forest Service agreement potentially more lucrative for the federal government.

From a land acquisition standpoint, the new package also reflects a substantial gain for the federal government. Sealaska will surrender its interest in Cube Cove and will give up approximately 10,000 acres in other parcels that the Forest Service desires. We have been on record for years as to the high potential mineral values in Cube Cove. We still believe that to be the case, although we remain reluctant to develop that area because of its national interest significance. Please make no mistake: the subsurface land package offered by Sealaska is one of great value. It, too, is not fully explored and is in mineralized areas. No one can assure us that a Greens Creek sized mineral deposit does not exist on the lands we are offering.

The lands Sealaska will gain other than Greens Creek are lands chosen by the Forest Service because they are difficult to manage. These lands are split estates, meaning that an Alaska Native corporation owns the surface estate and the Forest Service remains with only the subsurface. Now Sealaska will gain the subsurface. None of these lands to be of high mineral values, and in fact, we see little or no development potential in any of them.

In summary, the final exchange terms encompass an acre-for-acre subsurface exchange, on top of which Sealaska will provide the federal government with a tangible, cash equivalent value at Nutkwa Lagoon and a substantial, precedent-setting royalty. This is an exchange of extraordinary merit to the federal government. It is the antithesis of a give away. It stacks up as equal to or better than any other exchange made administratively or legislatively with the federal government in Alaska or elsewhere, to the best of our knowledge.

VI. CONCLUSION

The agreement reached by Sealaska and the Forest Service takes almost all of the controversy out of this exchange. It brings the exchange within the ambit of the criteria established by Congress under Section 22(f) of ANCSA and 1302(h) of ANILCA for such land exchanges. This is an exchange that has been subjected to extraordinary scrutiny by Congress, the administrative agencies, and private interests. Essentially all of the entities that have participated in the process now are satisfied that the exchange is a good one.

With the suggested amendments to S. 2273 that we have proposed, this legislation merits favorable action by Congress. The public interest will be served by Congressional approval, the people of Southeast Alaska will be better for it, and the future management of the Tongass will be improved if this exchange is ratified.

We thank you for the opportunity to testify before the Subcommittee today. We welcome any questions.

6-4TEST.DOC

June 22, 1990

The Honorable Howard Metzenbaum
United States Senate
140 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Metzenbaum:

As President and Chief Executive Officer of Sealaska Corporation I feel it necessary to respond to your recent comments on the floor of the U.S. Senate regarding Sealaska, which were broadcast in their entirety throughout much of Southeast Alaska on public radio.

It is important to begin with the clear assertion that Sealaska Corporation approached the Greens Creek land exchange as a for profit corporation seeking a result which would offer it opportunity for economic gain in exchange for the resolution of several complex public policy issues. We have never disguised that intention. As a matter of ANCSA policy, Congress did provide Alaska Natives with land exchange provisions contained in section 22(f) of ANCSA and section 1302(h) of ANILCA. It provides for the flexibility to make adjustments to land entitlements after the passage of ANCSA. We believe that we have paid for those provisions by extinguishing aboriginal title under ANCSA, effective December 18, 1971. At the same time, we recognize that this provides only a starting point for land exchange discussions in the public interest. I am most bothered by the impression left by your statements in this regard suggesting that Sealaska only seeks special advantage or would get something for nothing. This unfortunately and erroneously strengthen the stereotypical notions still too prevalent about ANCSA corporations.

Your clear effort to at the same time link Sealaska with major international corporations seeking undue corporate advantage of the public treasury while portraying it as being victimized by those same corporations certainly placed Sealaska in a unique multi faceted squeeze. Fortunately, the reality of Sealaska's involvement in the Greens Creek land exchange is far different from this portrayal and the response to your allegations has been strongly sympathetic

SEALASKA CORPORATION ONE Sealaska Plaza, Juneau, Alaska 99801-1276 Phone (907) 586-1512

and understanding of Sealaska's true circumstance, both from shareholders and the Alaska public.

Senator, Sealaska respects your abilities and your leadership and appreciates the support you have given to Alaska Native and Alaska issues in the past. We know that you do not take matters of public policy lightly and make every effort to be fair, honest and enlightened in your consideration. We also are fully aware that as a member of the United States Senate you will continue to influence and establish future public policy as it affects our corporation, our shareholders and Alaska. It is therefore very important that Sealaska make every effort to clarify and be responsive to the issues you have raised concerning Sealaska Corporation.

You are aware that the Alaska Native Claims Settlement Act of 1971 was a major public policy departure from traditional American Indian settlements. Congress established business corporations as the recipients of the land entitlements and the substantial corpus of the financial settlement. Reservations and per capita distributions were rejected by the Congress in order to try to bring Alaska Natives into the economic and social mainstream of our capitalist society. The land was placed in the corporations, 12 regional and some 200 village corporations, in fee with few restrictions on alienation. The money was made an asset of each corporation with the simple intention that thereby it would be invested and grown for present and future generations of Native owners.

Almost twenty years later, nearly all of the total original 44 million acres is still in Native ownership. I know of no ANCSA corporation that has been liquidated except through ANCSA authorized merger with other ANCSA corporations and while a number of corporations have experienced financial difficulty and are recovering it can be said with some cautious sense of pride that the ANCSA corporations have succeeded in one of the highest risk regional economies in our nation during a period of unparalleled economic change and uncertainty..

ANCSA corporations have remained economically viable while adhering to an underlying public policy purpose of ANCSA which is to advance the social and cultural interests of shareholders as Native peoples. In the instance of Sealaska Corporation, approximately $9,071 has been distributed to 11,400 of our urban/at-large shareholders, and $1,683 to our 4,300 village shareholders since 1974, totalling $116,246,300 which includes the $27 million of dividends stated below. In the past four years Sealaska has paid dividends of $21.5 million to its shareholders and will pay out as dividends about $5.6 million during the remainder of the year, for a total of about $27 million. Sealaska shareholders own 100 shares on the average. This totals about $1,700 per 100 shares in the last five years. Also, Sealaska has a number of programs which address our obligation to shareholders including the establishment of a $2.5 million dollar scholarship endowment which is in addition to approximately $1 million in scholarship awards made prior to the endowment, and establishment of a $500,000 endowment for the ongoing work of the Alaska Native Brotherhood and Sisterhood, founded in 1912 to advance the interests of the Native peoples of our region.

In 1980, the year Sealaska began its major business investments, we created the Sealaska Heritage Foundation to administer the corporate scholarship program and to develop and implement programs to advance the social and cultural interests of our shareholders. We have invested an average of $350,000 annually in the foundation which has secured millions in funding for its programs ranging from a much publicized and highly regarded professional Native theater, University of Washington press publication of foundation books to computer software Native language programs and more. The corporation annually provides tens of thousands in funding to scores of Native projects and programs outside the corporation in addition to United Way and other charitable institutions. Internally Sealaska's management internships provide meaningful work experience and an income opportunity to continue higher education for as many as a dozen shareholders annually.

Sealaska's shareholder hire program, which gives our shareholders preference in hiring if equally qualified with other candidates, has resulted in more than 70% of headquarters employees consistently coming from our shareholder population including the current President and CEO and other senior officers. Shareholder hire in our subsidiaries has not been as consistent or as high but is steadily improving. Our single largest continuing operation, Sealaska Timber Corporation has averaged 40% shareholder hire for several years.

Sealaska's compensation practices provoked the most comment from your remarks. In this respect, Sealaska has always attempted to be competitive in our areas of business in attracting and retaining employees, but has always also recognized the unique character of the corporation and our special relationship with our shareholders who, in the main, can be characterized as economically and socially disadvantaged. Sealaska has then maintained a policy of being fully competitive at the non-officer level and competitive at the lower level of cash compensation at the officer level. We have utilized salary surveys and other typical standards to maintain this policy. However, several years ago it was felt necessary to provide greater incentive to the key officers in our seafood subsidiary which is our single largest revenue source which has been under significant competitive pressure. Our salary reviews revealed that while our cash compensation was adequate, key officers among our competitors had access to equity participation and other benefits which made overall compensation far higher than ours. In order to be responsive Sealaska instituted an incentive compensation plan which resulted in the levels of cash compensation correctly identified by you. However, this reflected the operating results for a single year in which the seafood subsidiary produced net income of $7 million on revenues of approximately $200 million, a strong return for this industry in that year. Incentive compensation and thus total compensation in previous years was substantially less. My point is this level of compensation for a subsidiary is competitive in the marketplace and is necessary to retain qualified, experienced management in that particular business area. In any event Sealaska has just signed a contract of sale of its seafood subsidiary as part of a corporate strategic restructuring and while relatively insignificant, the issue of corporate cultural incompatibility was a factor.

In a *Seattle Times* salary survey of Pacific Northwest corporations published on June 17, 1990, Sealaska is the 44th largest in sales and the 97th in compensation of its chief executive officer. This salary survey is enclosed. Sealaska Corporation's compensation of other senior officers is marginally below market in salary and substantially below total compensation when incentive compensation is considered.

Your statements about Sealaska director compensation were also inaccurate. Sealaska's directors in fact receive total directors fees substantially lower than the $41,000 per annum you indicated. Because of its unique obligations and relationship with its shareholders Sealaska Corporation Directors travel and meet extensively with Shareholders which increases compensation to some modest degree. All directors are Native shareholders, elected directly by shareholders and serve at their pleasure. Directors compensation is also regularly compared to industry surveys and standards to determine appropriateness.

As a successful businessman in your own right you know that the compensation of full time employees and officers is part of the overall cost of doing business. As indicated above our average officer level compensation is below market, and consciously so, and to compare the total compensation of officers who are full time employees responsible for creating the net income which is shared as dividends with all shareholders to the amount of dollars received by shareholders in any one year as dividends is an inappropriate measure. Sealaska's dividend policy provides for 25% of net income after inflation proofing of our Shareholder Permanent Fund to be paid annually to shareholders. This year because of extraordinary liquidity, the corporation will pay 40% of net income to shareholders. These are high dividend payout percentages for any corporation. In addition the officers and directors have been able to increase corporate equity from $71.6 million in 1982 when I became CEO to $153.4 million, net of $21.5 million in dividends to shareholders this year, reduce debt from $106 million to $65 million in the same period and create corporate liquidity for meaningful future growth. As an indication of our concern for shareholder value over the long term, the Shareholder Permanent Fund mentioned above is an investment portfolio of conservatively managed securities, the sole purpose of which to provide income to be shared directly with shareholders annually after inflation proofing. The fund is currently $65 million and growing.

Senator, with all due respect Sealaska Corporation is not the kind of corporation your words on the floor of the U.S. Senate portrayed. We have a difficult and unique obligation to our shareholders to try and meet their economic needs to the degree the corporation is able while using its resources to advance their social and cultural aspirations as Native people seeking a meaningful place in society. We believe that Sealaska Corporation is making progress in this regard responsibly and prudently. We cannot do it all, which is too often the expectation of ANCSA corporations, but we can make a difference, particularly with continuing public policy support from the institution that created us, the Congress of the United States.

I would like to have the opportunity to meet with you personally to discuss Sealaska Corporation and the merits of the proposed land exchange. I believe that such a meeting would be helpful and I look forward to doing so.

Sincerely,

SEALASKA CORPORATION

Byron I Mallott

Byron I. Mallott
President & Chief Executive
Officer

Enclosure

cc: Senator J. Bennett Johnston
Senator James A. McClure
Senator Frank H. Murkowski
Senator Ted Stevens

unday, June 17, 1990
he Seattle Times
eattle Post-Intelligencer

Business

EARNING THEIR KEEP

Chief executive officers' pay raises, bonuses remain lower as profit margins rise for Northwest companies

5 highest salaries

Warren McCain ,	Albertson's:	$ 1,080,462
George Weyerhaeuser,	Weyerhaeuser:	$ 1,060,000
Thomas O'leary,	Burlington Resources:	$ 1,050,000
Joseph Parkinson,	Micron Technology:	$ 1,034,815
John Fery,	Boise Cascade:	$ 1,026,672

5 lowest salaries

John Gorman ,	Timberline Software:	$ 108,128
J.H. Pauls,	The Commercial Bank:	$ 105,611
John Wilson,	Pegasus Gold:	$ 100,000
Robert Carver,	Carver Corp.:	$ 84,662
Bertram Martin,	AirSensors:	$ 62,833

by Greg Heberlein
Times business reporter

If pay and profits are linked, chief executives in the Pacific Northwest did not keep up last year.

A survey of executive salaries showed that the average executive earned 12 percent more last year in salary and/or bonuses while average profits among the companies, where comparisons are possible, were up 26 percent.

On the other hand, inflation, as measured by the consumer price index, rose 4.8 percent in 1989.

At the top was Warren McCain, head man at Albertson's, who received more in salary and bonuses than any other Pacific Northwest executive. His compensation rose 9 percent, to $1.08 million, in fiscal 1989, from $992,000 in fiscal 1988. Albertson's profits rose 21 percent, to $197 million.

George Weyerhaeuser was among those on the other side. The top timber-company executive received 4 percent less, at $1.06 million, as profits for the giant he leads slumped 40 percent.

John Fery's paychecks returned 2.4 percent less, to $1.03 million, as Boise Cascade profits shrank 7.5 percent.

However, the link between profits and compensation is not always clear.

Burlington Resources' Thomas O'Leary experienced a 22 percent cut, to $1.05 million. But profits, boosted by a one-time gain from sales as well as improved operating income, shot up 536 percent. O'Leary actually was victimized by his own success in 1988.

INSIDE

The average American is staying ahead of the game of rising costs vs. salary — if only by a slim margin. **PARADE.**

Because of performance bonuses tied to his role in the breakup of Burlington Northern and Burlington Resources, compensation was higher than it might be under normal circumstances. A big share of the huge 1989 profits rise related to discontinued operations.

The figures were provided by TPF&C, a Towers Perrin company, a national management-consulting company with a Seattle office. Using annual reports and shareholder proxy statements, TPF&C examined 97 publicly owned companies in Washington, Oregon, Idaho and Montana. Executives — all men, incidentally — totaled 100, because four men share the chief executive role at Nordstrom.

Although long-term compensation figures were determined, too, they were excluded because they affected only 21 of the 100 executives, and in only 10 cases had an impact of more than $100,000.

Long-term compensation usually means stock options — rights granted executives to buy company stock at an attractive price sometime in the future. It is an incentive for executives — if the company performs well the price of its stock should increase. When they exercise the options, they should be able to make a tidy profit.

In fact, one Northwest executive has been featured in salary surveys in several national business publications because of a dramatic windfall when he exercised options.

Craig McCaw, chairman of Kirkland's McCaw Cellular Communications, exercised options last year that brought him $53.7 million in additional compensation. It put him at the top in many of those surveys which count stock options as a part of pay.

McCaw's base salary of $288,756 put him in the middle of the pack among executives here.

Other highlights of the study:

■ After McCaw's stock options, only one other executive cashed in options for a million or more. Louisiana Pacific's Harry Merlo netted $1,152,838.

■ In 51 cases, company profits rose along with executive compensation.

■ In one case, profits rose but compen

Please see **SALARY** on E 6

CEO pay raises lower as profit margins rise

SALARY

continued from E 1

sation was stable. (QFC's Jack Croco. QFC, incidentally, was not involved in the grocery strike.)

- In 14 cases, compensation rose even though profits fell.
- But in 17 cases, compensation did fall when profits fell.
- Perhaps most amazing, in eight cases compensation fell even though profits rose. Those eight: Burlington Resources, Louisiana Pacific, John Fluke Manufacturing, WTD Industries, Hecla Mining, Aldus, Key Tronic and Commercial Bancorp. of Salem, Ore., operator of The Commercial Bank.
- In at least two cases in which CEOs showed huge year-to-year gains, it was because in the previous year the CEO was not at the CEO's helm a full year. Those were William Agee at Morrison Knudsen and Y.A. Pao at Flow International.

To the layman, compensation statistics appear lucrative. Nonetheless, evidence suggests that chief executives here are willing to exchange some pay for the Northwest lifestyle, said John von Hagen, branch manager and manager of the compensation unit of the TPF&C Seattle office.

"We found, on average, the pay levels here are slightly less than the national average," Von Hagen said. "It probably reflects a greater degree of conservatism here."

Statistics are deceiving, though. The top 325 executives nationally had a median gain of 8 percent. The Northwest median is 8.9 percent. The numbers don't prove the point, because the national figures exclude medium-to-smaller companies where income growth on a percentage basis can be much higher.

He said such things as stock-appreciation rights, restricted stock and internal performance plans linked to return on equity and other measures are ways to tie up the payoff three, five or 10 years down the line, ensuring the executive retains incentive to produce longer-term results.

To Von Hagen, chief executives are well paid for good reasons.

"When you think about the responsibility they have – investments in some cases of billions of dollars – it's a heady responsibility," he said. "You want to make sure the best and the brightest get their reward."

Von Hagen said CEOs, on the whole, don't have much time to enjoy their success.

"There are tremendous pressures," Von Hagen said. "I'm not sure everyone, given the choice, would want that."

A different view was posed by Patrick Fleenor, a Seattle University professor of management and chairman of the department of administration.

Fleenor said he did not wishto sound like a left-wing radical. But he said certain executives are overpaid.

"What people sometimes forget is that organizations are allowed to exist at the sufferance of the society they live in," Fleenor said. "Certainly they do make tough decisions, very important decisions. But I'm not sure they're any better decisions than the average person would make.

"Let's pick a salary of $20 million – a number of executives across the nation are paid more than that. Is there anything that anyone does that deserves making $20 million? My own opinion is that it may be someone who earns a Nobel Prize in medicine or literature."

Yet, in American business, Fleenor said, "a number of chief executives are paid more than their worth to the general welfare."

On the whole, companies wit sales above $1 billion a year gav raises of about 5 percent to thei CEOs; companies below $1 billio in sales dished out 14 percent o average, Von Hagen said.

No one expects to see stoc options eliminated. But Von Hage said a growing concern about an over-emphasis on short-term performance is leading more company boards to adopt longer-term standards for compensation.

Internal plans emphasizing return on equity are blossoming throughout the Northwest, Von Hagen said, with almost 20 in place. He cited the PacifiCorp family – including Pacific Telecom and Nerco – as a place where such plans exist.

Another way of dealing with the same issue, Von Hagen said, is to require top executives to build large holdings in their company's stock. One way to do that would be to require an executive to retain some of the stock once an option is exercised. Executives commonly sell all the stock once the option is exercised.

Are executives worth that?

"No, I'd have to say emphatically no," said labor leader Mike Waske. To the employee, "you're part of the team when you're doing the work, but when compensation comes out, you're not. That's when it's gross."

Waske, business manager for the Professional & Technical Engineers Local 17, said the compensation to McCaw and other executives infuriated him – especially in light of grocery and aeromechanic strikes last year to win wage increases.

"Top-management increases were gross to employees," Waske said. "Did top management have to go out on strike to get their increases?"

Fleenor said corporate boards "almost always try to do a decent job of stewardship." But their makeup is dominated by other chief executives.

"They're certainly not representative of a broad segment of constituencies, let alone society," Fleenor said.

But change, he noted, doesn't come quickly, nor in positive times.

"Reform in most sectors comes when there's a crisis, or at least difficulty," Fleenor said. "Why mess with success?"

Warren McCain

George Weyerhaeuser

Thomas O'Leary

Joseph Parkinson

John Fery

CEO salaries and company profits

TPF&C, a Towers Perrin Company, one of the top compensation consultants in the country, working with the Seattle Times, has provided the information in this chart. The material comes from corporate annual reports and proxy statements. It covers the changes between 1988 and 1989, using either the calendar year or the fiscal year of the companies involved. In all cases, the most recent available data is used. Stock options, either granted or exercised, are not included in the compensation table. The list covers major publicly held companies in the Pacific Northwest. Salaries are in actual dollars; corporate profits are millions of dollars with the final 000 omitted. (NA = Not applicable. NM = Not meaningful.)

Company	CEO Name	1989 Total cash Salary	Rank	1988 Total cash Salary	Percent Change	Ranked % chg. in sal.	1989 corporate Profits	1988 corp. Profits	Percent chg. Profits	Ranked by pct chg. in Prof.
Albertson's	Warren McCain	1,080,482	1	992,000	8.9%	49	196,561	162,545	20.9%	34
Weyerhaeuser	George Weyerhaeuser	1,080,000	2	1,100,300	-3.6%	73	341,071	565,590	-39.7%	72
Burlington Resources	Thomas O'Leary	1,060,000	3	1,360,000	-22.2%	84	458,140	72,079	535.6%	2
Micron Technology	Joseph Parkinson	1,054,815	4	691,294	49.7%	15	106,103	97,981	8.3%	45
Boise Cascade	John Fery	1,026,672	5	1,052,300	-2.4%	72	267,560	289,120	-7.5%	60
Paccar	Charles Pigott	956,835	6	878,250	8.9%	48	241,930	175,808	37.6%	25
Boeing	Frank Shrontz	910,250	7	846,323	7.6%	55	973,000	614,000	58.5%	17
Morrison Knudsen	William Agee	856,682	8	174,606	390.2%	1	32,179	(127,096)	NA	NM
Westmark International	Dennis Fill	818,426	9	629,141	30.1%	23	19,725	10,776	83.1%	9
Pioneer Bank	Ralph Schapler	771,792	10	269,600	186.3%	3	(1,117)	4,414	NA	NM
Univar	James Bernard	762,322	11	531,743	43.4%	16	19,973	11,165	78.9%	12
PacifiCorp	A.M. Gleason	760,000	12	504,200	50.7%	14	465,800	446,700	4.2%	51
Fred Meyer	Frederick Stevens	582,780	13	305,237	90.9%	8	(6,848)	38,861	NA	NM
Louisiana Pacific	Harry Merlo	575,000	14	650,000	-11.5%	80	192,800	135,200	42.5%	22
Pope & Talbot	Peter Pope	534,258	15	506,227	5.5%	60	43,637	31,944	36.6%	26
Penwest	Tod Hamachek	534,044	16	350,775	52.2%	12	33,310	9,545	249.0%	4
Safeco	Bruce Maines	529,864	17	484,334	9.4%	46	263,718	294,849	64%	41
Willamette Industries	William Swindells	515,717	18	463,383	11.3%	41	191,066	161,087	18.6%	37
U.S. Bancorp	Roger Breezley	504,218	19	448,792	54%	39	150,800	123,900	21.7%	32

Airborne Freight	Robert Cline	484,439	20	274,878	76.2%	10	19,083	7,036	171.2%	6
Wash. Mut. Sav. Bank	Louis Pepper	480,862	21	412,727	16.5%	34	19,835	38,573	−48.6%	75
VWR	Richard Engebrecht	476,844	22	453,119	5.2%	62	10,441	9,327	11.9%	42
Alaska Air Group	Bruce Kennedy	468,668	23	452,354	3.6%	63	42,935	37,473	14.6%	39
Pacific Telecom	Charles Robinson	445,900	24	387,900	15.0%	36	73,538	58,413	25.9%	30
Mentor Graphics	Thomas Bruggere	445,000	25	339,167	31.2%	21	44,803	33,540	33.6%	27
Precision Castparts	Edward Cooley	438,762	26	497,608	−12.1%	81	28,434	38,777	−30.3%	67
Puget Sound Bancorp	W.W. Philip	425,000	27	395,000	7.6%	64	27,917	40,401	−30.9%	68
Coeur d'Alene Mines	Dennis Wheeler	423,128	28	365,000	15.9%	35	9,405	18,373	−38.8%	71
Sequent Computer Systems	Casey Powell	[illegible]	29	208,250	[illegible]	7	16,010	6,465	146.7%	[illegible]
Jay Jacobs	J. Jay Jacobs	[illegible]	30	380,000	7.9%	25	2,929	[illegible]	−18.0%	[illegible]
Oregon Steel Mills	Thomas Boklund	402,483	31	377,235	6.7%	57	20,782	21,054	−1.2%	57
John Fluke Manufacturing	George Winn	395,480	32	400,844	−1.3%	70	23,151	12,418	86.4%	8
Cascade Corp.	J.J. Barclay	392,800	33	407,500	−3.7%	74	10,335	11,670	−11.4%	64
Pacific First Financial	Jerry Pohlman	392,364	34	326,699	20.1%	32	1,630	(55,693)	NA	NM
Expeditors International	Peter Rose	390,251	35	307,942	26.7%	29	9,311	7,206	29.2%	28
West One Bancorp	Daniel Nelson	376,105	36	318,000	18.6%	33	33,606	26,315	27.7%	29
Puget Power & Light	John Ellis	371,004	37	380,004	−2.4%	71	117,749	128,918	−8.6%	62
Great Northwest R.	Raymond Soule	366,818	38	301,033	21.6%	30	3,618	[illegible]	[illegible]	[illegible]
Tektronix	David Friendley	[illegible]	39	355,631	2.3%	66	18,805	(18,687)	NA	NM
Portland General	Ken Harrison	[illegible]	40	336,4[illegible]	6.6%	61	(36,955)	[illegible]	NA	NM
US W. NewVector Group	John DeFeo	351,608	41	250,634	40.2%	17	(11,073)	(24,794)	55.4%	20
WID Industries	Bruce Engel	349,507	42	472,796	−26.1%	85	8,850	8,409	5.1%	50
Costco Wholesale	James Sinegal	346,818	43	256,000	35.3%	20	27,009	14,480	86.6%	7
Esterline	Wendell Hurlbut	336,769	44	265,922	26.6%	27	8,592	8,364	2.8%	53
Longview Fibre	Richard Wollenberg	336,200	45	306,770	9.7%	44	66,519	96,332	−30.9%	69
Washington Energy	[illegible] Thorpe	[illegible]	46	[illegible]	36.6%	19	23,667	[illegible]	100%	44
Quality Food Centers	[illegible] Grose	[illegible]	47	325,009	0.0%	67	12,868	7,962	61.4%	11
Intermec	John Paxton	316,880	48	253,482	25.7%	23	8,039	4,361	84.6%	15
Ackerley Com.	Barry Ackerley	308,000	49	NA	NA	100	(7,190)	(2,341)	−220.6%	81
Immunex	Stephen Duzan	304,606	50	236,578	29.3	25	(14,245)	657	NA	NM
Nordstrom	John McMillan Bruce Nordstrom John Nordstrom James Nordstrom	300,000 300,000 300,000 300,000	51 51 51 51	453,750 453,750 453,750 453,750	−33.9% −33.9% −33.9% −33.9%	86 86 86 86	114,909	123,332	−6.8%	58
McCaw Cellular	Craig McCaw	288,758	55	303,698	−4.9%	75	(150,737)	(163,343)	7.7%	48
Nerco	Gerald Drummond	281,091	56	250,055	12.4%	38	68,100	66,500	2.4%	54
Wash. Fed. Sav&Loan	Elliott Knutson	277,902	57	214,201	29.7%	24	67,169	63,609	6.2%	49
Flow International	Y.H. Pao	274,995	58	69,482	295.9%	2	5,341	(11,401)	NA	NM
Montana Power	W.P. Schmechel	272,720	59	256,372	6.4%	59	74,411	71,863	3.5%	52
Northwest Natural Gas	Robert Ridgley	272,577	60	249,233	9.4%	45	25,806	21,147	[illegible]	35
Bohemia	Richard Tinney	265,762	61	175,449	52.0%	18	13,759	(11,669)	NA	NM
Washington Water Power	Paul Redmond	265,934	62	234,332	13.5%	37	72,071	71,364	1.0%	55

Nike	Phillip Knight	255,841	63	250,000	2.3%	64	167,047	101,686	64.3%	16
Eldec	Max Gellert	241,057	64	226,474	6.4%	56	10,748	[illegible]	[illegible]	10
Hecla Mining	Arthur Brown	241,026	65	254,229	-5.2%	76	(22,395)	15,129	NA	NM
Electro Scientific	Michael Ellsworth	234,424	66	113,319	106.9%	8	6,368	744	758.8%	1
Sea Galley Stores	Steven Dowen	234,125	67	235,961	-0.7%	66	(6,816)	206	NA	NM
FPS Computing	Howard Thrailkill	232,762	68	248,150	-6.2%	76	(14,914)	(27,780)	-46.3%	81
Data I/O	Lawrence Mahew	228,635	69	336,348	-32.0%	87	1,295	4,606	-71.9%	77
Tacoma Boatbuilding	Michael Stanfield	226,050	70	211,892	6.8%	56	423	371	14.0%	40
Egghead Software	Victor Alhadeff	215,215	71	80,600	167.0%	4	(12,089)	4,624	NA	NM
Summit Savings	James Grabicki	203,486	72	0	NA	98	9,763	17,778	-45.1%	73
Arctic Alaska Fisheries	Terry Baker	196,851	73	151,018	30.3%	22	12,473	13,380	-6.8%	58
TJ International	Walter Minnick	196,850	74	285,198	-31.3%	88	15,273	17,834	-14.4%	65
Microsoft	William Gates III	191,314	75	175,000	9.3%	47	170,538	123,908	37.6%	24
NeoRx	Robert Abbott	172,000	76	143,000	20.3%	31	(13,822)	(13,859)	0.3%	56
Interpoint	Peter VanOppen	165,968	77	127,330	22.5%	29	780	498	56.6%	18
Aldus	Paul Brainerd	156,298	78	237,800	-34.6%	92	15,494	14,608	6.1%	49
Pacific Nuclear Systems	David Jones	155,004	79	245,000	-36.7%	94	(758)	2,088	NA	NM
Lindal Cedar Homes	Robert Lindal	153,136	80	167,748	-8.7%	76	887	1,583	-44.0%	73
Seattle FilmWorks	Gary Christophersen	153,087	81	84,284	81.6%	9	1,987	(1,050)	NA	NM
Cascade Natural Gas	Melvin Clapp	151,254	82	109,208	38.5%	18	17,084	13,742	24.2%	31
Idaho Power	Joseph Marshall	147,017	83	92,800	58.4%	11	84,737	49,080	72.7%	13
Imre	Frank Jones	140,853	84	216,796	-35.0%	63	(3,959)	(4,746)	16.7%	36
VanFed Bancorp	Loren Means	136,993	85	145,806	-6.0%	77	726	1,093	-33.6%	70
Oregon Metallurgical	Frank Caputo	135,407	86	125,398	8.0%	51	26,924	5,845	337.0%	3
Key Tronic	Lewis Zirkle	131,053	87	226,038	-42.0%	96	3,134	(11,020)	NA	NM
Wash. Fed. Savings Bank	Howard Hunnard	126,504	88	116,350	8.6%	50	1,239	1,341	-8.1%	61
Epitope	Michael Hubbard	126,909	89	117,588	7.9%	52	(2,603)	(1,368)	-90.6%	79
FlowMole	John Martin	120,817	90	148,712	-18.1%	83	1,156	2,423	-52.3%	78
Fabriland	Tony Bosboom	120,007	91	109,000	10.1%	43	3,100	2,808	10.4%	43
Olympic Savings Bank	John Fuller	119,373	92	120,092	-0.6%	66	(1,697)	(1,563)	-8.6%	63
First Mut. Sav. Bank	Bruce Baker	117,359	93	105,336	11.4%	40	1,505	1,284	17.2%	38
Flight Dynamics	John Desmond	111,459	94	100,449	11.0%	42	(6,117)	(6,587)	7.1%	47
Riedel Envir. Technology	A.A. Riedel	110,000	95	NA	NA	97	(1,152)	425	NA	NM
Timberline Software	John Gorman	109,129	96	108,811	1.2%	66	768	446	72.4%	14
The Commercial Bank	J.H. Pauls	105,611	97	129,778	-18.6%	82	1,981	1,424	39.1%	23
Pegasus Gold	John Wilson	100,000	98	NA	NA	98	271	2,324	-88.3%	78
Carver Corp.	Robert Carver	84,882	99	41,328	104.9%	6	(1,814)	(643)	-182.1%	80
AirSensors	Bertram Martin	82,833	100	0	NA	99	(3,342)	(2,903)	-15.1%	98

Senator **Murkowski** [presiding]. Thank you, Mr. Mallott.

I think after reviewing the rather extended debate on the floor concerning the exchange and the opportunity that you have had to respond on behalf of Sealaska and your shareholders and your colleagues who are on the executive committee, you can reflect on the inequity, if you will, of the public exposure limited to this hearing, as opposed to the extended discussion of your corporate affairs on the floor of the United States Senate. And I apologize for the inequity, but that is the way it goes under the democratic system.

Thank you for your presentation. We will read your entire prepared statement carefully. And we wish you well and hope that the Committee can move in a responsive and expeditious manner toward resolution of this issue.

Mr. Loescher, did you have a statement?

STATEMENT OF ROBERT W. LOESCHER, EXECUTIVE VICE PRESIDENT, NATURAL RESOURCES, SEALASKA CORPORATION

Mr. **Loescher**. Yes, Mr. Chairman. I would like to submit additional information for the record, and I have it right here for you.

Senator **Murkowski**. It will go into the record.

Mr. **Loescher**. I will concentrate my remarks on the legal standards applicable to our proposed land exchange, and then discuss the valuation and public interest merits of the proposal. As with any exchange, the critical question is whether it is a good deal for the United States Government. When the Greens Creek exchange is held up to the light of the statutory standards for such exchanges, and when it is compared to other exchanges approved by Congress, the answer is a resounding yes.

We begin with an examination of the legal standard applicable to such exchanges. Section 22(f) of ANSCA and 1302(h) of ANILCA establish two standards for making such exchanges. The first standard is equal value; and the second standard is public interest. I quote the applicable language:

"Exchanges shall be on the basis of equal value, and either party to the exchange may pay or accept cash in order to equalize the value of the property exchanged, provided that when the parties agree to an exchange and the appropriate secretary determines it is in the public interest such exchanges may be for other than equal value."

Congress also provided that the agency with whom the exchange is made is to be the arbiter of the public interest test. In our Greens Creek case, the U.S. Forest Service has that jurisdiction. The public interest finding is part and parcel of the exchange agreement being completed by the U.S. Forest Service and Sealaska.

Some have suggested that only a non-speculative equal value test should be applied to this exchange. There is no justification for changing the statutory requirements to thwart this exchange. To do so would be inequitable and would effectively repeal existing law without the appropriate legislative process.

Not only should Congress look at the statutory language applicable to native exchanges, but it should weigh this exchange against existing precedents. We know of no reason why Congress should

treat the Greens Creek proposal more harshly than comparable exchange proposals. Most of the land exchanges approved by Congress were at one time or another criticized by some individual or entity for being of unequal value, for having speculative values that were hard to appraise, and for not being in the public interest, and we cite a few recent examples.

In 1988 Congress passed legislation that exchanged the BIA Indian school property in Phoenix for lands in the Florida Panther National Wildlife Refuge. The value of the conservation lands in Florida was intangible. The issue of speculative and mineral values was solved in the least advantageous way to the government. The subsurface mineral rights, including areas of significant oil and gas potential, were retained by the Collier family. On the other side of the equation, the appraisals for the downtown Phoenix property varied by tens of millions of dollars.

In the Nevada/Florida Land Exchange Authorization Act of 1988, the Federal Government conveyed approximately 38,500 acres of desert land in Nevada to the Aerojet General Corporation in exchange for only 4,650 acres of lands in Florida. On both sides of the equation, the lands were speculative value. Congress also directed the Secretary of Interior to lease 14,000 acres of public lands to Aerojet for 99 years rent free.

In an Alaska land exchange, the Nanah Red Dog exchange, lands of purely speculative values were exchanged in an effort to provide a transportation corridor so that Nanah could go forward with its development of the Red Dog Mine. In large part, due to the transportation access provided through this legislation, the Red Dog Mine has been able to commence operations.

Just like the Greens Creek proposal now before Congress, this mine provides jobs on a year-round basis in an area of high unemployment. It has enabled Nanah to implement a successful shareholder hire program, and has improved the economy of the Northwest region of Alaska, and generates tax revenues for the United States. Red Dog is an ANSCA 7(i) asset, just like Greens Creek would be.

Unlike the Greens Creek exchange, the government will receive no value equalization payment from the considerable revenues of the Red Dog Mine facilitated by the land exchange legislation.

With the legal standards and recent precedent understood, let us examine what value the government is getting and what it is giving up in the Greens Creek proposal. We begin with the jewel of the government's acquisitions, Nutkwa Lagoon. This area is the gateway to the adjacent Nutkwa II area the Senate has chosen for permanent protection in its version of H.R. 987. The House would make the Nutkwa area a wilderness. The treatment given by Congress to the adjacent Nutkwa area speaks for itself as to the conservation, subsistence and wildlife values in these lands.

However, there are very substantial economic values that Sealaska is surrendering to the Federal Government at Nutkwa Lagoon. The Nutkwa Lagoon parcel offered by Sealaska contains over 58 million board feet of timber. Under current market conditions Sealaska would expect to realize as much as $9.4 million of net revenues from timbering this area.

Private land in an area of such aesthetic beauty with so much waterfront access, and extraordinary fishing resource, and a permanently protected land status adjacent to it carries great intrinsic value and sells at a premium price. The recreational value of Nutkwa Lagoon absent the trees is conservatively estimated at $4 million based on comparable sales, and the U.S. Forest Service estimates of similar property values.

Yet, that is not all of the commercial value of Nutkwa Lagoon. Nutkwa Lagoon contains Nutkwa Creek, which supports the most productive pink salmon fishery in Southeastern Alaska. Alaska Department of Fish and Game statistics demonstrate that this fishery is worth over $7 million.

What is the government's economic gain from acquiring Nutkwa Lagoon? Over $13 million of tangible timber and recreational sales values, plus permanent protection of a pink salmon fishery worth over $7 million.

The second tangible element of value offered to the Federal Government is the value equalization payment. This is an novel concept invented by Sealaska to respond to the problem of having speculative natural resource land values involved in the exchange. It is a reasonably simple concept. If Sealaska leases its land at Cube Cove in exchange for a net smelter royalty, the government will receive 10 percent of the proceeds from that royalty. If Sealaska invests in the development of Greens Creek, it will enter into some form of joint venture.

Senator **Murkowski**. Mr. Loescher, I am going to try to hold the witnesses to roughly five minutes. So I wonder if you could wind up the balance of your statement.

Mr. **Loescher**. Yes, sir, I can.

Anyway, Senator, just to comment on it, if we were involved in an active development, the concept being very simple, we would share the 10 percent of the net profits of that active development. The other thing, Senator, is that looking at the values that we are exchanging, we have longed recognized the value of Admiralty Island and the Cube Cove lands have National interest values. The record is replete in past hearings and legislation that we have advocated and supported, that the National interest value is there.

We also would like to wrap up by saying that we would like you to know we understand there are risks on our side in being involved in this land exchange. It is possible that there are not any mineralization in the Greens Creek area. And we also know that it costs a lot of money to invest to develop any of those resources if that comes to be.

Anyway, there are many public interest benefits, and we would hope that the Congress and the Senate would recognize those. You should know that we do have to share revenues beyond the 10 percent to the United States, this would be a 7(i) resource, and shareable to some 91,000 Alaska natives. And we would benefit by a share of that. And that is part of the public policy established under ANSCA.

In conclusion, we have been working with the U.S. Forest Service, and I would like to advise you that we are making progress. We will expeditiously respond to any further concerns that the Forest Service has. And I think we can do so in a relatively short period of time, and be able to bring this back to the government for ratification or inclusion in the Tongass Reform Act.

Thank you very much.

[Additional material submitted by Mr. Loescher follows:]

June 28, 1990

GREENS CREEK AMENDMENT

On page 28, after line 18, add the following new title:

TITLE V -- GREENS CREEK LAND EXCHANGE

Sec. 501. As used in this title --

(1) the term "the Act" means the Alaska National Interest Lands Conservation Act (Public Law 96-487) as amended;

(2) the term "the Settlement Act" means the Alaska Native Claims Settlement Act (Public Law 92-203), as amended;

(3) the term "Secretary" means the Secretary of Agriculture;

(4) the term "lands" has the same meaning as specified in Section 102 of the Act;

(5) the terms "subsurface estate" and "surface estate" shall have the same meaning as such terms have when used in the Settlement Act;

(6) the term "Sealaska" means Sealaska Corporation, an Alaska Native Regional Corporation (as such term is defined in Section 102(7) of the Act) existing under the laws of the state of Alaska, and includes the corporation's successors and assigns;

(7) the term "Greens Creek Joint Venture" means the mining venture that owns the Greens Creek mine and core or perfected mineral claims, pursuant to section 504 of the Act, in the Greens Creek area of Admiralty Island National Monument, and includes its successors and assigns;

(8) the term "Greens Creek lands" means the subsurface of those lands generally depicted on a map entitled "Greens Creek Lands" and dated March 16, 1990, aggregating approximately 18,839 acres;

(9) the term "Katlian Bay and Charcoal and Alice Islands lands" means the subsurface of those lands generally depicted on a map entitled "Katlian Bay/Charcoal & Alice Islands Exchange Lands" and dated March 16, 1990, aggregating approximately 3,223 acres;

(10) the term "Port Houghton/Sanborn Canal lands" means the subsurface of those lands generally depicted on a map entitled "Port Houghton/Sanborn Canal Area Exchange Lands" and dated March 16, 1990, aggregating approximately 1,994 acres;

(11) the term "Hydaburg lands" means the lands generally depicted on a map entitled "Hydaburg Traditional Use Sites" and dated June 11, 1990, aggregating approximately 4,478 acres;

(12) the term "Nutkwa Lagoon lands" means the lands generally depicted on a map entitled " Nutkwa Lagoon Exchange Lands" and dated May 8, 1990, aggregating approximately 2,484 acres;

(13) the term "Libbey Creek lands" means the subsurface of those lands generally depicted on a map entitled "Libbey Creek Exchange Lands" and dated June 4, 1990, aggregating approximately 3,360 acres;

(14) the term "Hobart Bay lands" means the subsurface of those lands generally depicted on a map entitled "Hobart Bay Exchange Lands" and dated June 4, 1990, aggregating approximately 5,901 acres;

(15) the term "Echo Cove Sealaska Acquisition lands" means the subsurface of those lands generally depicted on a map entitled "Echo Cove Acquisition Exchange Lands" and date June 4, 1990, aggregating approximately 307 acres;

(16) The term "Echo Cove Sealaska Disposition lands" means the subsurface of those lands generally depicted on a map entitled "Echo Cove Disposition Lands" and date June 4, 1990, aggregating approximately 886 acres;

(17) the term "Kootznoowoo-Angoon lands" means the subsurface of those lands generally depicted on a map entitled "Angoon Exchange Lands" and dated June 4, 1990, aggregating approximately 1,600 acres;

(18) the term "Cube Cove lands" means the subsurface of those lands generally depicted on a map entitled "Cube Cove Exchange Lands" and dated March, 1990, aggregating approximately 23,072 acres;

(19) the term "net profits" means the gross revenues realized by Sealaska from the sale of the minerals mined or otherwise produced from the Greens Creek lands minus such costs and expenses, including depreciation and depletion, as would be deductible under generally accepted accounting principles and industry practices consistently applied. If in any year after the beginning of commercial production of minerals from such lands, an operating loss relative thereto is incurred, the amount thereof shall be considered as and be included with outstanding costs; and

(20) the term "Lake Florence lands" means the lands generally depicted on a map entitled "Lake Florence Lands" and dated March, 1990, which constitutes the southernmost drainage of the Cube Cove lands, aggregating approximately 6,006 acres.

EXCHANGE TERMS

Sec. 502. (a) In exchange for the consideration set forth in subsection (b), and provided there is on file with the Secretary an exploration agreement between Sealaska and the Greens Creek Joint Venture respecting minerals located in the Greens Creek lands and an exchange agreement between Sealaska and the Secretary has been executed, the Secretary is authorized to convey to Sealaska, subject to valid existing rights, all right, title and interest of the United States in--

(1) the Greens Creek lands;

(2) the Libbey Creek lands;

(3) the Hobart Bay lands;

(4) the Echo Cove Sealaska Acquisition lands; and

(5) the Hydaburg lands

aggregating approximately 32,885 subsurface acres.

(b) In exchange for the conveyances described in subsection (a), the Secretary is authorized to accept from Sealaska, subject to valid existing rights, all of its right, title and interest in and to--

(1) the Katlian Bay and Charcoal and Alice Islands lands;

(2) the Port Houghton/Sanborn Canal lands;

(3) the Echo Cove Sealaska Disposition lands;

(4) the surface and subsurface estate in the Nutkwa Lagoon lands, with the exception of title to the locatable minerals and common varieties of mineral materials contained in the subsurface estate, and reasonable rights of access thereto, which shall be retained by Sealaska;

(5) the Kootznoowoo-Angoon lands; and

(6) subject to the contingency described in subsection (c), the Cube Cove lands;
aggregating approximately 33,259 subsurface acres and 2,484 surface acres.

(c) Unless otherwise agreed to in writing by the Secretary and the owners of the surface interests, the government shall receive no property or executory interest in and to the Cube Cove lands, nor shall they be subject to the operation of the public land laws, until it acquires title to the surface estate in those lands, at which time the government may exercise its rights to acquire the Cube Cove lands. The terms of this contingent option shall be set forth in the exchange agreement between Sealaska and the Secretary. The government may acquire the Cube Cove surface and subsurface interests at one time, or in segments. Within 90 days of enactment, the Secretary shall enter into a binding agreement with Sealaska through which the parties shall set forth the terms and conditions of the conveyance of the Cube Cove lands.

(d) The exchange agreement shall require Sealaska agree to make value equalization payments to the United States consisting of ten (10) per centum of any income received by Sealaska from the lease or other disposition of minerals removed or sold from any Greens Creek lands in

which Sealaska does not establish an equity interest in the development of such lands, or ten (10) per centum of any net profits, as defined in section 501(21), received by Sealaska from minerals removed or sold from any Greens Creek lands in which Sealaska does establish an equity interest in the development of such lands: Provided, That in either event, for the purposes of Section 7(i) of the Settlement Act (43 U.S.C. 1606(i)), Sealaska may deduct amounts equal to the value equalization payments made pursuant to this subparagraph from revenues it receives from the subsurface estate acquired pursuant to this section, notwithstanding any agreement among the regional corporations to the contrary.

(e) Any and all monies paid to the United States by Sealaska as a value equalization payment pursuant to subsection (c) shall be covered into the Admiralty Island Inholding Acquisition Fund in the Treasury of the United States, which fund is hereby established and is hereafter referred to as the "Fund." Revenues covered into the Fund shall, subject to appropriations, be available for obligation and expenditure by the Secretary to be used solely for the acquisition of privately owned inholdings in the Lake Florence lands. If all private inholdings in the Lake Florence lands have been acquired, or if none is available for purchase, such funds shall be used to acquire private inholdings in other areas of the Admiralty Island National Monument. If all such inholdings have been acquired or none is available for purchase, such funds shall be used to acquire private inholdings that have high recreation, scenic, subsistence, wildlife or related non-commodity values located in other portions of the Tongass National Forest. All acquisitions made pursuant to this subsection shall be on a willing-seller basis and subject to the limitations of Section 1302 of the Act.

(f)(1) Until December 31, 1991, there is authorized to be appropriated to the Fund the sum of $10,000,000.

(2) Sums appropriated pursuant to paragraph (1) shall be considered an advance payment to the Fund. The first $10 million credited the Fund pursuant to subsection (d) shall be used to reimburse the Treasury for such advance payment. Such advance payment may be expended solely for the purpose of acquiring the surface estate, or interests therein, in the Lake Florence lands.

(g) The provisions of this exchange shall take effect upon ratification by appropriate resolution of all its terms by Sealaska, or by its failure to take any action, within

one hundred and eighty days of enactment of this Act. In the event that Sealaska disapproves by appropriate resolution the provisions of this exchange, this section shall be of no force and effect.

SETTLEMENT ACT LAND AND CONVEYANCES

Sec. 503. Any lands or interests therein conveyed to an Alaska Native Corporation pursuant to this title shall be deemed lands and interests conveyed pursuant to the Settlement Act and any conveyances effected by this title shall be deemed conveyances to Native Corporations pursuant to the Settlement Act.

SUBSURFACE ACCESS

Sec. 504. Sealaska shall have such rights of access to the Greens Creek lands and other subsurface lands acquired herein as are set forth in Section 1110(b) of the Act, in addition to such rights of access as may exist under other laws and regulations.

MONUMENT COMPATIBILITY

Sec. 505.(a) Upon acquisition of the Greens Creek lands, Sealaska shall be permitted to carry out activities related to the exercise of rights so acquired in accordance with reasonable regulations promulgated by the Secretary to assure that such activities are compatible, to the maximum extent feasible, with the purposes for which the Admiralty Island National Monument was established.

(b) The Secretary is authorized to issue surface leases to Sealaska in accordance with section 504(f) of the Act.

LAKE FLORENCE NEGOTIATIONS

Sec. 506. The Secretary is directed to engage expeditiously in good faith negotiations with Shee Atika, Inc., Atikon, Inc., and Sealaska for independent voluntary exchange agreements through which the United States would acquire all of the surface estate or all of the surface and subsurface estates held by these private parties in the Lake Florence, Lake Kathleen and Wards Creek drainages of

Admiralty Islands. The first priority of such negotiations shall be acquisition of the Lake Florence drainage. Nothing in this section is intended to preclude, prior to the execution of any independent voluntary exchange agreement provided for herein, the commercial harvesting of timber in the Lake Florence, Lake Kathleen or Wards Creek drainages of Admiralty Island.

MANAGEMENT OF NUTKWA LAGOON

Sec. 507. Upon acquisition, the Nutkwa Lagoon lands shall be incorporated in the Nutkwa LUD II Management Area designated in Title II of this Act and shall be managed by the Secretary in perpetuity in accordance with such designation.

SAVINGS PROVISIONS

Sec. 508. Nothing in this title shall be deemed or construed to --

(a) require a subsistence determination pursuant to Section 810 of the Act or other provisions of law;

(b) affect Sealaska, Shee Atika, Inc., Atikon, Inc., or the Greens Creek Joint Venture by:

(1) limiting the use of lands owned by these parties;

(2) affecting the valid, existing rights of these parties; or

(3) clouding the title of lands or interests owned by these parties.

(c) limit the authority of the Secretary to enter into land exchanges with Sealaska, Shee Atika, Inc., Atikon, Inc., the Greens Creek Joint Venture, or other parties pursuant to existing exchange authorities.

6-11GCA.DOC

NUTKWA LAGOON VALUES

The Nutkwa area has been prized by conservationists in Southeast Alaska for many years. It contains extraordinary recreational, fish and wildlife, ecological, and aesthetic values. These values were sufficiently exceptional to justify the designation of the area as a wilderness in H.R.987 and as a LUD II area in the Senate Energy Committee bill. Adjacent to the area to be designated for permanent protection is the Nutkwa Lagoon area offered by Sealaska.

In addition to the conservation values justifying the statutory Nutkwa LUD II withdrawal, the Nutkwa Lagoon area provides the government with three types of tangible values: timber, fishery, and recreational property.

(1) Timber Values

The Nutkwa Lagoon area contains:

* gross timber volumes of over 58 million board feet.

* net timber volume of over 42 million board feet.

* net value of the exchange area timber to Sealaska approximating $9.4 million, using current prices.

Precise timber volume figures are attached as an exhibit. They were compiled by an independent timber industry consultant (Mason, Bruce & Girard) in recent years for Sealaska. (Exhibit Attached--Timber Inventory)

(2) Most Productive Pink Salmon Fishery in Southern Southeast Alaska

According to Alaska Department of Fish and Game data, the Nutkwa Lagoon Pink Salmon Fishery, originating from Nutkwa Creek, is the most productive Pink Salmon fishery in Southeast Alaska.

Between 1987 and 1989, the average escapement totaled almost 500,000 salmon per year, and the salmon catch exceeded 3.7 million salmon per year. Between 1987 and

1989, total production of salmon for this area was over 4.2 million salmon per year. Using ADF&G figures, the average yearly value of the Nutkwa Creek Fishery between 1987 and 1989 was $7,179,000. This creek and fishery would receive permanent protection if the Greens Creek Exchange Amendment is enacted. (Exhibit Attached--ADF&G Escapement and Harvest Data)

(3) Recreational Property Values

Sealaska has the ability to sell the Nutkwa Lagoon fee estates it owns as recreational property. With the scarcity of private land in Southeast Alaska, prices are considerable. Moreover, this is an extraordinarily desirable location. In a recent letter to Shee Atika, the Forest Service estimated that prime waterfront acreage, absent timber values, would sell at $3,000 per acre and that non-waterfront lots would sell at $400 per acre.

Even though these estimates are considerably below the actual market (in Sealska's opinion), they convert to a recreational property value for the Nutkwa Lagoon approximating $4 million.

Valuation: Grand Total

Timber Value:	$ 9.4 million
Fishery Value:	$ 7.1 million
Recreational Value:	$ 4.0 million
GRAND TOTAL:	$ 20.5 million

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NUTEWA EXCHANGE NET TIMBER VOLUMES

TIMBER T	ACRES	HEMLOCK\	SPRUCE NET	RED CEDAR NET	YELLOW CEDAR NET	TOTAL NET
12	36.26	329,002.91	0.00	0.00	188,504.09	517,507.00
15	7.33	0.00	104,289.50	0.00	0.00	104,289.50
18	17.60	0.00	495,534.36	0.00	0.00	495,534.36
2	43.38	1,143,301.17	23,643.44	0.00	0.00	1,166,944.60
20	1E+02	1,000,932.05	2,861,697.41	0.00	0.00	3,862,629.45
21	1E+02	625,758.43	1,590,291.64	51,384.90	0.00	2,267,434.97
24	59.67	0.00	295,947.65	0.00	0.00	295,947.65
29	16.36	0.00	0.00	322,112.41	0.00	322,112.41
3	64.78	667,427.43	3,886.79	2,461.64	453.46	674,229.32
30	2E+02	0.00	0.00	1,804,370.88	0.00	1,804,370.88
32	36.79	407,098.26	92,907.00	439,109.78	0.00	939,115.04
33	1E+02	336,826.61	0.00	756,719.75	0.00	1,093,546.36
5	3E+02	6,915,120.13	5,180,494.02	196,846.91	0.00	12292461.06
50	23.21	327,939.53	42,504.23	0.00	0.00	370,443.76
51	14.50	32,614.95	0.00	0.00	0.00	32,614.95
52	59.27	1,450,653.30	972,021.88	0.00	0.00	2,422,675.18
6	3E+02	2,231,143.88	2,061,534.14	0.00	0.00	4,292,678.02
61	9.45	58,710.85	498,149.52	0.00	0.00	556,860.37
62	30.09	139,732.64	481,632.28	0.00	0.00	621,364.92
67	11.10	0.00	0.00	0.00	0.00	0.00
68	1E+02	0.00	0.00	0.00	47,098.91	47,098.91
69	2E+02	0.00	0.00	0.00	0.00	0.00
70	2E+02	188,551.26	1,266,797.92	0.00	0.00	1,455,349.18
71	1.23	0.00	0.00	0.00	0.00	0.00
8	1E+02	3,216,263.54	155,214.67	1,512,396.64	0.00	4,883,874.86
[illegible]	2E+02	1,314,610.99	0.00	885,729.50	0.00	2,200,340.49
[illegible]	64.9*	0.00	0.00	0.00	0.00	0.00
	=====	===========	===========	===========	===========	===========
	0.00	20385687.91	16126546.46	5,971,132.40	236,056.46	42719423.23

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• ASSUME FY 90 [illegible]
AVERAGE OPERATING
INCOME $ 220.00/MBF

• ESTIMATED VALUE
$ 9,400,000

5/29/90 PAGE 1

NUTKWA EXCHANGE GROSS TIMBER VOLUMES

TIMBER DE	HEMLOCK GROSS	SPRUCE GROSS	REDCEDAR GROSS	YELCEDAR GROSS	TOTAL GROSS
12	397.530.07	0.00	0.00	203,514.80	601,044.87
15	0.00	142,382.30	0.00	0.00	142,382.30
18	0.00	533,434.38	0.00	0.00	533,434.38
2	1.638,858.93	35,920.67	0.00	0.00	1,674,779.60
20	1.398,056.70	3,937,937.28	0.00	0.00	5,335,993.98
21	966,868.88	2,081,393.19	76,468.05	0.00	3,124,730.12
24	0.00	394,636.64	0.00	0.00	394,636.64
29	0.00	0.00	392,230.01	0.00	392,230.01
3	962,176.03	4,081.13	4,988.05	518.24	971,763.46
30	0.00	0.00	2,492,702.48	0.00	2,492,702.48
32	468,619.25	123,888.27	708,300.92	0.00	1,300,808.45
33	524,893.57	0.00	1,151,530.05	0.00	1,676,423.62
5	9,987,188.33	6,963,284.80	358,442.86	0.00	17308915.99
50	393,146.73	42,504.23	0.00	0.00	435,650.96
51	40,359.01	0.00	0.00	0.00	40,359.01
52	1,849,325.12	1,022,522.68	0.00	0.00	2,871,847.80
6	3,063,943.75	2,665,334.11	0.00	0.00	5,729,277.86
61	117,412.25	526,319.39	0.00	0.00	643,731.64
62	180,954.37	511,540.60	0.00	0.00	692,494.97
67	0.00	0.00	0.00	0.00	0.00
68	0.00	0.00	0.00	49,597.52	49,597.52
69	0.00	0.00	0.00	0.00	0.00
70	188,551.26	1,696,961.33	0.00	0.00	1,885,512.59
71	0.00	0.00	0.00	0.00	0.00
[illegible]	4,123,963.62	258,739.66	2,143,447.67	0.00	6,526,150.94
	2,307,422.87	0.00	1,175,330.30	0.00	3,482,753.16
ONE	0.00	0.00	0.00	0.00	0.00
	============	============	============	============	============
	28,609,270.72	20,940,880.67	8,503,440.39	253,630.57	58,307,222.35

SEALASKA CORPORATION
ADMIRALTY ISLAND EXCHANGE LANDS

LEGEND:

SEALASKA EXCHANGE LANDS

SOUTHEAST CONFERANCE PROPOSAL

Miles
N
W
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S
MAP PREPARATION BY:
JAMES M. MONTGOMERY
CONSULTING ENGINEERS INC.
DATE 8 MAY 1990

LAST NS
AND .RAGES

DIVISION OF COMMERCIAL FISHERIES

KETCHIKAN AREA
SALMON ESCAPEMENT PEAK SURVEYS
PINK & MIXED MOSTLY PINK SALMON

STREAM NUMBER STREAM NAME	1982 COUNT AND DATE	1983 COUNT AND DATE	1984 COUNT AND DATE	1985 COUNT AND DATE	1986 COUNT AND DATE	1987 COUNT AND DATE	AVERAGE OF ALL YEARS	AVERAGE OF EVEN YEARS	AVERAGE OF ODD YEARS
103-15-036 MAX COVE	3,000 09/08(37)	NO-SURVEY	5,003 08/21(34)	50,003 08/26(35)	15,003 08/19(34)	NO-SURVEY	5,613	3,337	7,888
103-15-039 MAX COVE EAST	NO-SURVEY	NO-SURVEY	NO-SURVEY	6,003 08/26(35)	200 08/19(34)	NO-SURVEY	3,102	200	6,003
SUBDISTRICT TOTAL	96,536	138,512	166,015	245,515	275,221	81,203	105,098	97,520	101,507
SUBDISTRICT: 21									
103-21-005 HUIKWA CREEK NORTH	12,000 08/19(34)	7,003 08/08(33)	NO-SURVEY	1,740 09/27(39)	20,003 08/25(35)	50,003 08/27(35)	15,964	12,668	18,437
103-21-008 HUIKWA CREEK	150,003 08/15(34)	200,009 08/28(36)	166,000 08/21(34)	172,053 08/26(35)	265,000 08/19(34)	155,000 08/19(34)	84,577	80,372	88,783
103-21-018 KEETE INLET N ARM HD	NO-SURVEY	NO-SURVEY	NO-SURVEY	NO-SURVEY	8,000 08/30(35)	NO-SURVEY	2,382	2,358	2,411
103-21-022 KEETE INLET N ARM HD	NO-SURVEY	NO-SURVEY	NO-SURVEY	NO-SURVEY	1,403 08/30(35)	NO-SURVEY	617	334	962
103-21-025 KEETE INLET SE HEAD	NO-SURVEY	NO-SURVEY	NO-SURVEY	NO-SURVEY	400 08/30(35)	NO-SURVEY	574	753	395
103-21-026 KEETE INLET SOUTH	NO-SURVEY	NO-SURVEY	NO-SURVEY	NO-SURVEY	803 08/30(35)	NO-SURVEY	803	803	
103-21-028 HASSIAH INLET	NO-SURVEY	NO-SURVEY	NO-SURVEY	NO-SURVEY	3,500 08/30(35)	NO-SURVEY	1,833	1,750	2,000
103-21-031 MABEL BAY	NO-SURVEY	NO-SURVEY	NO-SURVEY	NO-SURVEY	NO-SURVEY	NO-SURVEY	19	29	
103-21-035 KASSA INLET NW	NO-SURVEY	NO-SURVEY	NO-SURVEY	NO-SURVEY	700 08/30(35)	NO-SURVEY	700	700	
103-21-037 KASSA INLET SOUTH	NO-SURVEY	NO-SURVEY	NO-SURVEY	NO-SURVEY	3 08/30(35)	NO-SURVEY	3	3	

COUNTS OF 3 OR MULTIPLES OF 3 ARE A NUMERIC CODE FOR UNCOUNTED FISH PRESENT

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FGBE200.01                ALASKA DEPARTMENT OF FISH AND GAME                     06/08/8  PAGE    3
                          DIVISION OF COMMERCIAL FISHERIES
                                    KETCHIKAN AREA
                          SALMON ESCAPEMENT SURVEYS FOR 1987

                     NUMBER  NUMBER  NUMBER  NUMBER   TOTAL                                                           STATIS-
       DIST-           AT    INTER-   LIVE    DEAD   NUMBER OF            VISI-                OBS                    TICAL  RECOR
 DATE  TANCE  TYPE   MOUTH   TIDAL   SALMON  SALMON   SALMON    SPECIES   BILITY WATER   TIDE  INIT   REMARKS          WEEK    ID
NUTKWA
07/20   5.0  AERIAL                                             PINK      NORMAL  LOW    INTER EDH                      30 8740080
07/26 LENGTH AERIAL   1,000   3,000                   4,000     PINK      NORMAL NORMAL   HIGH PD                       31 8740121
07/29  20.0  AERIAL   1,000   4,000   5,000          10,000     PINK       EXCEL NORMAL  INTER JV                       31 8740190
08/01 LENGTH AERIAL     403       3   8,000           8,406     PINK      POOR   NORMAL   LOW  EDH                      31 8740230
08/04 LENGTH AERIAL  20,000   2,000   5,000          27,000     PINK       EXCEL NORMAL  INTER JV                       32 8740300
08/10 LENGTH AERIAL  20,000  25,000  30,000          75,000     PINK       EXCEL  LOW     LOW  PD                       33 8740461
08/13 LENGTH AERIAL   5,000  40,000  50,000          95,000     PINK       EXCEL  LOW    INTER JPV                      33 8740540
08/16  TIDAL AERIAL  40,000  20,000  30,000          90,000     PINK      NORMAL  LOW    INTER PD                       34 8740640
08/19 LENGTH AERIAL  10,000  40,000 105,000         155,000     PINK      NORMAL NORMAL  INTER PD                       34 8740720
08/27 LENGTH AERIAL         120,000  25,000         145,000 MOSTLY PINK   NORMAL  LOW    INTER PD                       35 8741030
09/02 LENGTH AERIAL       3       3  57,000       3  57,009     PINK      NORMAL NORMAL  INTER EDH                      34 8741060
 TOTAL NUMBER OF SURVEYS FOR STREAM NUMBER 103-21-008 (NUTKWA CREEK            ) IS    11

 TOTAL NUMBER OF SURVEYS FOR SUBDISTRICT NUMBER 103-21 IS    13

 SUBDISTRICT: 25

 STREAM NUMBER 103-25-005    SALTERY CREEK
8/01  TIDAL AERIAL      100                             100     PINK      NORMAL NORMAL   LOW  EDH                      31 8740231
8/05  TIDAL AERIAL                                              PINK       POOR   LOW    INTER PD                       32 8740370
8/10 LENGTH AERIAL              800                     800     PINK      NORMAL  LOW     LOW  PD                       33 8740461
8/13  TIDAL AERIAL    2,000   1,000                   3,000     PINK       EXCEL  LOW    INTER JPV                      33 8740541
8/16  TIDAL AERIAL            3,000   6,000           9,000     PINK      NORMAL  LOW    INTER PD                       34 8740640
8/19 LENGTH AERIAL    4,000   1,500   9,000          14,500     PINK      NORMAL NORMAL  INTER PD                       34 8740721
8/23 LENGTH AERIAL            7,000   8,000          15,000     PINK       EXCEL  LOW    INTER PD                       35 8740860
8/27 LENGTH AERIAL            7,500       3           7,503     PINK       POOR   LOW    INTER PD                       35 8741031
 TOTAL NUMBER OF SURVEYS FOR STREAM NUMBER 103-25-005 (SALTERY CREEK           ) IS    8

 STREAM NUMBER 103-25-007    SUKKWAN STRAIT CREEK
8/19  TIDAL AERIAL            4,000                   4,000     PINK      NORMAL NORMAL  INTER PD                       34 8740721
 TOTAL NUMBER OF SURVEYS FOR STREAM NUMBER 103-25-007 (SUKKWAN STRAIT CREEK) IS    1

 STREAM NUMBER 103-25-015    DEER CREEK
07/26  TIDAL AERIAL                                             PINK      NORMAL NORMAL   HIGH PD                       31 8740121
08/01  TIDAL AERIAL     400                             400     PINK       POOR  NORMAL   LOW  EDH                      31 8740231
08/04  TIDAL AERIAL       3   1,000                   1,003     PINK       EXCEL NORMAL  INTER JV                       32 8740300
08/05  TIDAL AERIAL       3     200                     203     PINK      NORMAL  LOW    INTER PD                       32 8740370
08/10 LENGTH AERIAL                                             PINK       EXCEL  LOW     LOW  PD                       33 8740461
08/13  TIDAL AERIAL     200     100                     300     PINK       EXCEL  LOW    INTER JPV                      33 8740540
08/16  TIDAL AERIAL           4,000                   4,000     PINK      NORMAL  LOW    INTER PD                       34 8740640
08/19 LENGTH AERIAL   7,000   3,000                  10,000     PINK      NORMAL NORMAL  INTER PD                       34 8740721
08/27  TIDAL AERIAL           9,000       3           9,003     PINK      NORMAL  LOW    INTER PD                       35 8741031
09/02 LENGTH AERIAL       3   7,200       3           7,206     PINK      NORMAL NORMAL  INTER EDH                      36 8741061
 TOTAL NUMBER OF SURVEYS FOR STREAM NUMBER 103-25-015 (DEER CREEK              ) IS    10

COUNTS OF 3 OR MULTIPLES OF 3 ARE A NUMERIC CODE FOR UNCOUNTED FISH PRESENT
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STREAM NUMBER	STREAM NAME	YEAR	SURVEY DATE	TYPE	SPECIES	MOUTH	TIDAL	LIVE	DEAD	TOTAL COUNT	OBS.	REMARKS
103-15-030	BELOW KLAKAS	1988	09/07	A	4		4,000			4,000	PD	
103-21-008	NUTKWA CREEK	1988	07/20	A	4						EDH	NO FISH SEEN
			08/02	A	4	1,500				1,500	EDH	
			08/06	A	4		3,000	8,000		11,000	PD	
			08/10	A	4		4,903			4,063	JPV	
			08/11	A	4	2,500	3,000	32,000		37,500	PD	
			08/15	A	4	6,000	20,000	40,000		66,000	JPV	15,000 OUTSIDE CHUCK
			08/19	A	4		20,000	40,000		60,000	PD	
			08/24	A	4		55,000	71,000		126,000	JPV	10,000 LAGOON ENTRANCE
			09/07	A	6		5,000	210,000		215,000	PD	
103-25-005	SALTERY CREEK	1988	08/06	A	4		100			100	PD	
			08/11	A	4		2,000			2,000	PD	
			08/15	A	4	600	2,000			2,500	JPV	
			08/19	A	4						PD	2 JUMPS
			08/24	A	4	8,000	8,000			16,000	JPV	
			09/07	A	4	1,500				1,500	PD	
103-25-009	ERK CREEK	1988	08/02	A	2						EDH	NO FISH SEEN
103-25-015	DEER CREEK	1988	08/06	A	4						PD	NO FISH SEEN
			08/11	A	4		600			600	PD	
			08/15	A	4		1,000			1,000	JPV	
			08/19	A	4						PD	GOOD JUMPS
			08/21	A	4						JPV	
			08/24	A	4	8,000	5,000			13,000	JPV	
103-25-030	HETTA PORTAGE CREEK	1988	08/06	A	4		100			100	PD	
			08/10	A	4						JPV	NO FISH SEEN

SURVEY TYPE:
A = AERIAL
H = HELICOPTER
F = FOOT
W = WEIR
B = BOAT

SPECIES:
1 = CHINOOK
2 = SOCKEYE
3 = COHO
4 = PINK
5 = CHUM
6 = MOSTLY PINK
7 = MOSTLY CHUM

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ALASKA DEPARTMENT OF FISH AND GAME
DIVISION OF COMMERCIAL FISHERIES
SALMON ESCAPEMENT SURVEYS FOR 1989

DATE	DISTANCE	TYPE	NUMBER AT MOUTH	NUMBER INTERTIDAL	NUMBER LIVE SALMON	NUMBER DEAD SALMON	TOTAL NUMBER OF SALMON	SPECIES	VISIBILITY	WATER	TIDE	OBS INIT	REMARKS	STATISTICAL WEEK	RECC
STREAM NUMBER 103-19-036				MAX COVE											
08/17	INTER	AERIAL		6,000	3,000	600	9,600	Pink	Normal	Low	Inter	PD	DEAD UNSPAWNED	33	890
STREAM NUMBER 103-21-008				NUTKWA CREEK											
07/24	LENGTH	AERIAL	3	100			103	Pink	Excel	Low	Inter	PD		30	8901
07/25	INTER	AERIAL	20,000	8,000			28,000	Pink	Excel	Low	Low	JFK		30	8901
07/30	LENGTH	AERIAL	3,000	10,000	1,000		14,000	Pink	Normal	Low	Inter	PD		31	8902
08/04	LENGTH	AERIAL		35,000	90,000		125,000	Pink	Normal	Low	Inter	PD		31	8904
08/17	LENGTH	AERIAL	95,000	30,000	77,000		202,000	Pink	Normal	Low	Inter	PD		33	8906
STREAM NUMBER 103-25-005				SALTERY CREEK											
07/25	INTER	AERIAL						Pink	Excel	Low	Low	JFK	4 SCHOOLS	30	890
07/30	LENGTH	AERIAL		200			200	Pink	Normal	Low	Inter	PD		31	890
08/04	INTER	AERIAL	3				3	Pink	Poor	Low	Inter	PD		31	890
08/09	INTER	AERIAL		3,000			3,000	Pink	Normal	Low	Inter	PD		32	890
08/17	INTER	AERIAL	300	1,200			2,100	Pink	Excel	Low	Inter	PD		33	890
09/01	INTER	AERIAL		12,000			12,000	Pink	Excel	Low	Inter	PD		35	890
STREAM NUMBER 103-25-007				SUKKWAN STRAIT CREEK											
08/09	INTER	AERIAL		500			500	Pink	Poor	Low	Inter	PD		32	89
09/01	INTER	AERIAL			6,000		6,000	Pink	Excel	Low	Inter	PD		35	89
STREAM NUMBER 103-25-015				DEER CREEK											
07/25	INTER	AERIAL						Pink	Excel	Low	Low	JFK	20 SCHOOLS	30	89
07/30	LENGTH	AERIAL		200			200	Pink	Normal	Low	Inter	PD		31	89
08/04	LENGTH	AERIAL	3,000	1,500			4,500	Pink	Poor	Low	Inter	PD		31	89
08/17	INTER	AERIAL		1,000			1,000	Pink	Excel	Low	Inter	PD		33	89
09/01	INTER	AERIAL		4,500			4,500	Pink	Excel	Low	Inter	PD		35	89
STREAM NUMBER 103-25-022				PERRY CREEK											
08/17	INTER	AERIAL		1,500			1,500	Pink	Excel	Low	Inter	PD		33	89
STREAM NUMBER 103-25-030				HETTA PORTAGE CREEK											
07/24	LENGTH	AERIAL		500			500	Pink	Excel	Low	Inter	PD		30	8
07/28	LENGTH	AERIAL	3	1,500			1,503	Pink	Poor	Low	Low	EDH		30	8
07/30	LENGTH	AERIAL		10,000			10,000	Pink	Normal	Low	Inter	PD		31	8
08/04	LENGTH	AERIAL	20,000	5,000			25,000	Pink	Poor	Low	Inter	PD		31	8
08/10	LENGTH	AERIAL	40,000	8,000	12,000		60,000	Pink	Normal	Low	Inter	PD		32	8
08/17	LENGTH	AERIAL	3	30,000	7,000		37,003	Pink	Excel	Low	Inter	PD		33	8
08/24	LENGTH	AERIAL	20,000	60,000	3		80,003	Pink	Normal	Low	Inter	EDH		34	8
STREAM NUMBER 103-25-041				COPPERMOUNT HARBOR											
08/04	INTER	AERIAL		10,000			10,000	Pink	Normal	Low	Inter	PD		31	8
08/17	LENGTH	AERIAL	2,000	6,000	8,000		16,000	Pink	Normal	Low	Inter	PD		33	8
STREAM NUMBER 103-25-047				HETTA LAKE CREEK											
08/04	INTER	AERIAL		1,200			1,200	Pink	Normal	Low	Inter	PD		31	8
08/17	INTER	AERIAL	3	2,000			2,003	Mostly Pink	Normal	Low	Inter	PD		33	8

Are These
in Thousands

PINK HARVEST IN SUB-AREAS NEAR NUTKWA CREEK
PURSE SEINE FISHERY 1980 - 1989

Year	10410	10420	10311	10321	10323	Total
80	260993	63112	681077	703088	206706	1914976
81	889432	111284	461460	645121	237514	2344811
82	352380	441323	363239	110180	74985	1342115
83	2569390	3149908	182579	223323	0	6125200
84	1128490	2022727	421985	344631	21437	3939270
85	529182	1708907	1332284	508614	0	4078987
86	3535467	7551295	1108410	1423379	191704	13810255
87	264263	692634	161819	51338	0	1170054
88	360945	1198662	483868	189992	0	2242467
89	3244560	3473190	443739	593939	65246	7820702

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2/3

Table . Average yearly ex-vessel price and price in 1987 dollars of purse seine[a] caught salmon purchased by Ketchikan area processors, 1965-1988.

YEAR	EX-VESSEL PRICE[b]					EX-VESSEL PRICE IN 1987 DOLLARS[c]				
	CHINOOK	SOCKEYE	COHO	PINK	CHUM	CHINOOK	SOCKEYE	COHO	PINK	CHUM
1965	$0.36	$0.37	$0.28	$0.10	$0.10	$1.29	$0.98	$1.02	$0.37	$0.35
1966	$0.43	$0.32	$0.27	$0.13	$0.12	$1.52	$1.12	$0.98	$0.52	$0.44
1967	$0.41	$0.30	$0.33	$0.12	$0.11	$1.38	$1.01	$1.11	$0.41	$0.36
1968	$0.43	$0.30	$0.28	$0.14	$0.14	$1.40	$0.98	$0.91	$0.49	$0.46
1969	$0.40	$0.27	$0.18	$0.12	$0.14	$1.24	$0.84	$0.56	$0.37	$0.43
1970	$0.55	$0.28	$0.18	$0.13	$0.14	$1.61	$0.82	$0.53	$0.37	$0.41
1971	$0.41	$0.38	$0.20	$0.15	$0.14	$1.18	$0.79	$0.56	$0.42	$0.39
1972	$0.28	$0.30	$0.28	$0.17	$0.19	$0.76	$0.82	$0.76	$0.46	$0.52
1973	$0.84	$0.57	$0.49	$0.26	$0.55	$2.15	$1.46	$1.25	$0.66	$1.41
1974	$0.67	$0.67	$0.50	$0.34	$0.42	$1.54	$1.54	$1.15	$0.78	$0.97
1975	$0.78	$0.58	$0.62	$0.33	$0.38	$1.58	$1.22	$1.31	$0.70	$0.80
1976	$1.20	$0.64	$0.77	$0.38	$0.50	$2.35	$1.26	$1.54	$0.76	$1.00
1977	$1.98	$0.83	$1.15	$0.33	$0.63	$3.72	$1.54	$2.16	$0.62	$1.18
1978	$1.88	$1.38	$0.93	$0.33	$0.79	$3.28	$2.37	$1.62	$0.57	$1.38
1979	$1.31	$1.36	$1.09	$0.34	$0.83	$2.05	$2.13	$1.88	$0.60	$1.30
1980	$1.55	$0.77	$0.70	$0.40	$0.68	$2.10	$1.06	$0.97	$0.56	$0.94
1981	$1.90	$1.30	$0.85	$0.41	$0.54	$2.37	$1.62	$1.06	$0.51	$0.68
1982	$2.23	$1.12	$0.78	$0.25	$0.51	$2.63	$1.32	$0.93	$0.30	$0.60
1983	$1.08	$0.82	$0.38	$0.25	$0.35	$1.23	$0.93	$0.43	$0.28	$0.40
1984	$2.26	$1.10	$0.94	$0.25	$0.44	$2.48	$1.21	$1.03	$0.27	$0.48
1985	$1.91	$1.41	$0.76	$0.24	$0.45	$2.01	$1.49	$0.80	$0.25	$0.48
1986	$1.40	$1.32	$0.75	$0.26	$0.36	$1.45	$1.37	$0.77	$0.27	$0.38
1987	$1.77	$1.78	$1.15	$0.44	$0.66	$1.77	$1.78	$1.15	$0.44	$0.66
1988[d]	$3.08	$3.00	$1.68	$0.63	$1.42	$2.96	$2.88	$1.61	$0.60	$0.98
1989				.45						

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[a] Gear-specific prices were not available for 1965 through 1968. Prices listed may be inflated for these years, especially for chinook and coho, due to the inclusion of troll prices.

[b] Average yearly ex-vessel prices are from Alaska's Commercial Fisheries Entry Commission and reflect post-season bonuses and adjustments.

[c] Prices adjusted to 1987 dollars using the National Consumer Price Index.

[d] Prices for 1988 are preliminary.

[illegible]

DRAFT

Table . Average weight (in pounds) of salmon taken in the Alaska District 104 commercial purse seine fishery, 1969-1988[a]

YEAR	WEIGHT				
	Chinook[b]	Sockeye	Coho	Pink	Chum
1969	17.6	5.7	7.4	4.1	9.0
1970	17.8	5.5	7.5	3.9	8.1
1971	17.3	5.5	8.5	3.7	7.9
1972	17.5	6.0	7.4	3.1	9.4
1973	17.6	6.3	7.1	3.5	10.3
1974	19.7	6.2	7.9	3.9	9.7
1975	16.5	6.1	5.3	3.1	8.1
1976	16.8	6.3	5.8	4.0	10.4
1977	17.3	6.6	7.1	4.8	9.3
1978	18.2	6.6	6.0	3.3	7.5
1979	14.6	5.4	5.8	4.0	9.1
1980	16.6	5.9	6.3	3.8	9.6
1981	17.5	5.5	6.9	4.3	9.7
1982	17.4	6.5	6.8	3.4	9.2
1983	17.3	5.7	5.8	3.1	8.6
1984	20.4	5.3	7.9	3.6	8.8
1985	21.5	5.8	7.3	3.2	9.1
1986	22.1	6.1	7.3	3.3	8.5
1987	18.5	6.0	6.3	3.8	8.4
1988	21.2	5.3	7.6	3.2	8.6
1989				3.38 DISTRICT 104	3.26 DISTRICT 103

[a] Source: Alaska Dept. of Fish and Game, Commercial Fisheries Division, Fish Ticket System.

[b] Only includes chinook salmon over 28 inches.

ADF&G 12/28/89 Rel. 1.0

43,961,224 Fish

16,888,700 Fish

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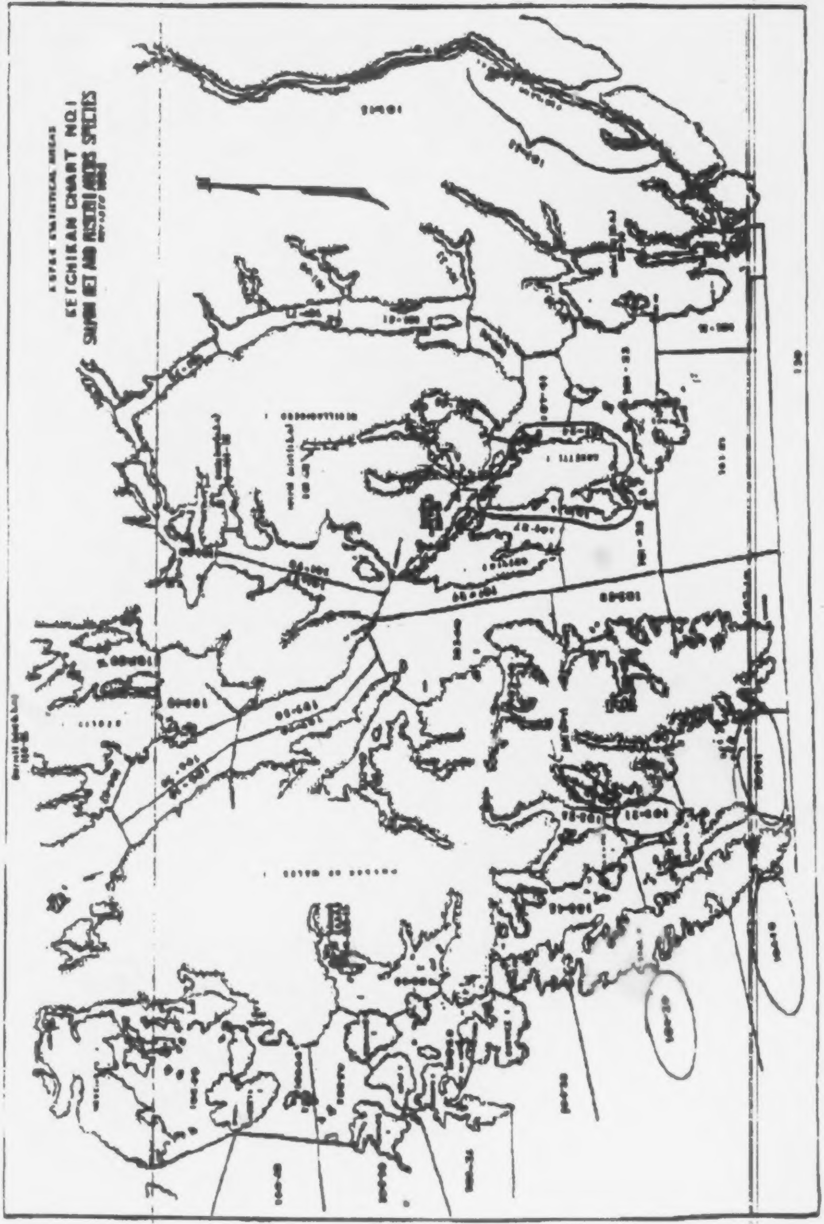

ADF&G STATISTICAL AREAS
KETCHIKAN CHART NO.1
SALMON NET AND MISCELLANEOUS SPECIES
130

ANALYSIS OF BENEFITS FROM H.R. 4883 AS RECOMMENDED BY THE DEPARTMENT OF AGRICULTURE

SHEE ATIKA WOULD RECEIVE:	
Surface and subsurface estate to approximately 11,400 acres at Katlian Bay on Baranof Island	$20.0 million
Road to be constructed at Katlian Bay [4.5 miles]	$ 1.4 million
Surface estate to approximately 9,100 acres at Bay of Pilliars on Kuiu Island	$20.0 million
Undivided two-fifths [40%] interest in 15,000 acres of subsurface estate at Greens Creek on Admiralty Island	$ 4.8 million
'42 million board feet of timber at Cube Cove	$10.0 million
Cash equalization payment	$ 5.0 million
TOTAL	$61.2 million
SEALASKA WOULD RECEIVE:	
Undivided three-fifths [60%] interest in 15,000 acres of subsurface estate at Greens Creek on Admiralty Island	$ 7.2 million
25 year lease to approximately 4,000 acres of Greens Creek surface estate	$ unknown
Subsurface estate to approximately 9,100 acres at Bay of Pillars on Kuiu Island	$ unknown
Subsurface estate to approximately 9,200 acres at Hobart Bay on the mainland	$ unknown
TOTAL	$ 7.2 million
TOTAL TO SHEE ATIKA AND SEALASKA	$68.4 million
TOTAL TO GOVERNMENT	$59.0 million
DIFFERENCE	$ 0.4 million

SENT BY:SEALASKA CORPORATION : 4- 1-90 : 12:31 : 9075868223→ 2022531027:# 2

United States Department of Agriculture
Forest Service
Region 10
Tongass National Forest
Chatham Area
204 Siginaka Way
Sitka, Alaska 99835
(907) 747-6671

Reply To: 5430

Date: March 28, 1990

MAR 29 1990

Mr. Robert Loescher
Senior Vice President for Natural Resources
Sealaska Corporation
One Sealaska Plaza
Juneau, Alaska 99801-1276

Dear Mr. Loescher:

I would like to acknowledge receipt of your most recent legislative proposal calling for your acquisition of the Greens Creek subsurface. I would also like to thank you for the opportunity to meet on March 27, 1990, to discuss various Admiralty Island land exchange options.

I am encouraged by your most recent efforts to develop a real estate exchange that may be both in the public interest and in the interest of Sealaska Corporation. We currently have our Forest Service staff evaluating the various components of your new proposal. As quickly as possible, we will provide you with our complete evaluation.

As I have always said, in the many discussions we have had concerning land adjustments on Admiralty Island, any proposal must either be in concert with my ongoing efforts to execute a surface land exchange with Shee Atika, Incorporated at Cube Cove or must be done in such a way as to not affect that effort. I also continue to state that my goal is to accomplish an exchange involving Admiralty Island National Monument property held by the United States (Greens Creek subsurface) for other important public interest properties within the National Monument held by private parties (Cube Cove trees, surface, and subsurface). I continue to be optimistic that such an exchange is possible and will continue to work hard to achieve it. Should it not be possible, I am willing to discuss other options as long as they: a) do not affect my Shee Atika negotiations, b) do not hinder my eventual acquisition of Sealaska's 23,073 acres of subsurface at Cube Cove, and c) can be found to be in the public interest.

Your most recent proposal as now described in S.2273 and H.R. 4298 appears to be a positive move even though it does not address my goal of acquiring the Cube Cove properties. I remain firm in my belief that the value of the 18,000 acres of Greens Creek subsurface is in excess of $10 million dollars. Your latest proposal may be a positive move toward equalizing that value. ←

I appreciated the opportunity to meet with you and hope that our discussion was a positive step toward achieving both the objectives of the Sealaska shareholders and the those of the Forest Service on behalf of the public.

Sincerely,

Gary A. Morrison

GARY A. MORRISON
Forest Supervisor

cc: Shee Atika, Inc.
Koncor Forest Products
RO, Lands
Sierra Club, San Francisco

900326 1030 FS 5430 PH

TO OUR SHAREHOLDERS

1989 marked the end of another decade, a decade of progress in the growth and profitability of our Company. As we have all learned, moving forward in our business is not always smooth and steady and although we continued to work toward securing our future, 1989 was not a good year from a profit standpoint. We recorded a net loss of $22.4 million, or 83¢ a share, on revenue of $101.7 million. This compares to a net profit in 1988 of $15.1 million, or 56¢ a share, on revenue of $105.4 million. The 1989 loss includes $16.7 million in nonrecurring charges and writedowns, principally reflecting a loss of $9.1 million on the disposal and write-down of Sunshine Mining Company common stock. We acquired the stock in 1984 as partial payment for the sale of our interest in the Sunshine Unit Area. The remainder of the charges and writedowns related primarily to nonperforming properties and those undergoing closure and reclamation.

Precious metals prices declined through most of 1989. Gold averaged $381 per ounce, $56 per ounce less than the 1988 average, a decrease of 13%. In 1989 silver averaged $5.50 per ounce, a 16% decrease from the average of $6.53 per ounce we received in 1988. Fortunately, lead and zinc prices were better last year than they were in 1988, helping a little at the Lucky Friday and Greens Creek Units.

The last year of the 1980s was not profitable for Hecla. However, strategies for lowering costs are succeeding, and our Company is on target to achieve its goal of becoming a major gold producer in the new decade.

The Company's gold operations turned in another year of solid performance in 1989 and we continue to strengthen that segment of our business. Republic's excellent potential has prompted us to begin an exciting new development project there which will allow us to access new zones of gold mineralization and exploration targets in 1990. During the year, a new heap leach processing facility was constructed at Yellow Pine in Central Idaho, with start-up scheduled for the spring of 1990. Yellow Pine will contribute approximately 80,000 ounces of gold over its projected two-year life. The gold segment of Hecla's business has grown rapidly in recent years, from 41,000 ounces in 1986 to a projected 150,000 ounces in 1990. In addition to the progress at Republic and Yellow Pine, encouraging results at Trout Creek, Meadowlands and the Sulphurets property point to continued expansion of Hecla's gold operations.

News from the silver side of the business is not as encouraging, primarily due to falling prices throughout the year. However, we have been working hard to reduce costs at the silver operations and I am happy to report positive results. Our overall cash cost, net of by-product credits, for producing silver dropped from $5.50 per ounce in 1988 to about $4.25 per ounce in 1989, and cash flow from silver operations was positive. The new Greens Creek mine in Alaska started up in February, but did not meet our expectations for the year. Many of the problems have been addressed and we expect better performance there in 1990. At the Lucky Friday silver mine in North Idaho, mechanized mining has helped reduce cash costs to around $4.70 per ounce. However, because of the high depreciation charges, silver prices in the range of $6.50 per ounce are needed to make the mine profitable. At the Escalante silver mine in Southwest Utah, milling of the surface stockpile continued throughout the year. Cash flow from this operation was positive. However, accruals set aside for closure, reclamation, and inventory adjustments added significantly to the overall cost.

Industrial minerals production increased from 500,000 tons in 1988 to 700,000 tons in 1989, primarily as a result of our acquisition of Cyprus Minerals Company's kaolin properties in February. We are extremely pleased with the results from the new kaolin properties and plan more growth in this area. Industrial minerals revenue was up 36% overall, although profitability was somewhat lower. I am expecting far better results in 1990.

Lucky Friday Unit. The Lucky Friday Underhand Longwall (LFUL) mining method was fully implemented during 1989, with all stopes in production during the year. LFUL is a new type of mining method utilizing rubber-tired vehicles, more mechanized equipment, a ramp system and cemented sand fill. The new method was developed especially for the Lucky Friday to enhance safety and improve efficiency at the mile-deep silver-lead mine near Mullan, Idaho. Cash cost per ounce reductions in the range of 25% were achieved during the year, but higher silver prices are needed to make the mine profitable. Safety has improved under the new mining method, and sudden rock failure called rockburst has diminished, although it continues to occur. Anticipated production levels in the range of 3 million ounces per year have not been achieved due to lower ore grades, a longer-than-expected sand fill cycle, and downtime in the working areas because of rockburst damage.

Lucky Friday Unit	1989	1988	*1987	*1986	1985
Tons of ore milled	138,328	120,200	45,165	82,041	276,817
Silver recovered grade (ounces per ton)	13.7	14.9	14.8	16.1	17.1
Lead recovered grade (percent)	11.6	10.5	10.1	13.3	12.6
Zinc recovered grade (percent)	2.3	1.9	2.2	1.5	1.4
Metals produced					
Silver (ounces)	1,904,038	1,786,716	667,442	1,324,182	4,740,971
Lead (tons)	16,004	12,575	4,548	10,880	34,720
Zinc (tons)	3,253	2,301	989	1,254	3,315
Copper (tons)	281	309	120	143	334
Gold (ounces)	944	778	251	511	2,029

*Operations at the Lucky Friday mine were suspended for a 14-month period during 1986 and 1987

The Lucky Friday Unit produced 1,904,038 ounces of silver in 1989 compared to 1,786,716 ounces in 1988. Ore milled at the mine in 1989 contained almost 12% lead, or 16,014 tons, which was a major factor in the continued operation of the Lucky Friday during the year in spite of low silver prices. The mine also produced 3,253 tons of zinc and 944 ounces of gold.

Low silver prices kept the Lucky Friday from having a profitable year, but cash flow at the operation was positive and silver production has settled into a steady pace of approximately 2 million ounces of silver annually. At the beginning of 1990, proven and probable mineral reserves for the Lucky Friday totaled 458,755 tons at a grade of 16.1 ounces of silver per ton, 11.4% lead and 2.1% zinc.

Greens Creek Unit. In the first quarter of 1989, the Greens Creek Unit on Admiralty Island near Juneau, Alaska, started production. Hecla owns a 28% interest in the silver-gold-zinc-lead mine, sharing ownership with Kennecott Corporation, CSX Energy Inc., and Exalas Resources Corporation. The operating partner is Kennecott, a subsidiary of RTZ.

Full production was not achieved at the mine in 1989, and start-up difficulties limited its profitability. Maintenance costs have been higher than expected at the island mine and labor and freight charges have also exceeded expectations. However, it is believed that most of the difficulties related to start-up have been resolved, and the mine is expected to show improved performance in 1990. The mine is located on land designated as a national monument in an environmentally sensitive area, increasing costs. The ore from the mine is processed at a concentrating mill on the island, loaded aboard ocean-going vessels and shipped around the world to Japan, Korea and Europe for further refinement to finished metal.

Greens Creek Unit (Reflects Hecla's 28% share)	
Tons of ore milled	74
Silver recovered grade (ounces per ton)	
Gold recovered grade (ounces per ton)	
Zinc recovered grade (percent)	
Lead recovered grade (percent)	
Metals produced	
Silver (ounces)	2,844
Gold (ounces)	6
Zinc (tons)	3
Lead (tons)	2.

Greens Creek Unit. The Greens Creek mine is one of the largest silver producers in North America, yielding a total of 5.165.501 ounces of silver during its eleven months of operation in 1989. Hecla's 28% share of 1989 production totaled 1.446.365 ounces of silver, 6.568 ounces of gold, 5.559 tons of zinc and 2685 tons of lead. At the end of 1989, Hecla's share of proven and probable mineral reserves at the Greens Creek Unit totaled 817.040 tons, averaging 21.4 ounces of silver per ton, .19 ounces of gold per ton, 8.4% zinc and 3.4% lead.

Escalante Unit. In 1989 the Escalante Unit, located 40 miles west of Cedar City, Utah, continued to process a stockpile of silver ore accumulated before the termination of underground operations on December 30, 1988. The mill produced 1.636.965 ounces of silver in 1989 compared to 1.823.172 ounces in 1988, down 11% due to lower ore grade. In 1989 Escalante set a record for tons milled, and recovery rates remained excellent. The stockpile will be depleted and the mill permanently closed in mid-year 1990. The mill will be placed on care and maintenance status and the equipment stored until the Company has an opportunity to use it elsewhere.

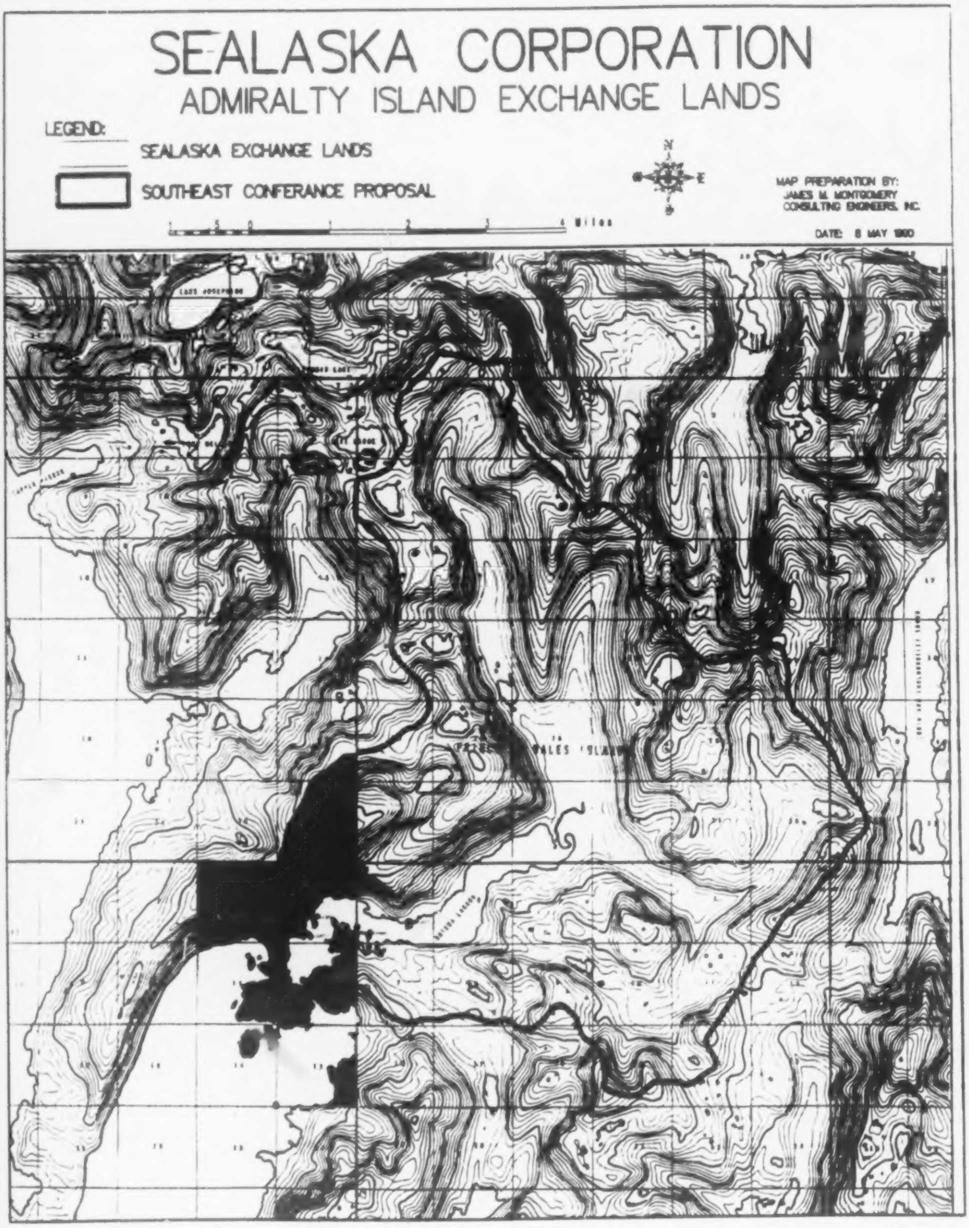
Escalante Unit	1989	1988	1987	1986
Tons of ore milled	322.868	[illegible]	[illegible]	[illegible]
Silver recovered grade				
(ounces per ton)	5.1	6.0	[illegible]	7.4
Metals produced				
Silver (ounces)	1.636.965	[illegible]	[illegible]	[illegible]
Gold (ounces)	636	559	[illegible]	—

Galena Unit (Reflects Hecla's 12½% Share)	1989	1988	1987	1986	1985
Tons of ore milled	[illegible]	[illegible]	[illegible]	[illegible]	25.022
Silver recovered grade					
(ounces per ton)	15.3	15.1	16.4	19.9	20.5
Metals produced					
Silver (ounces)	[illegible]	[illegible]	[illegible]	[illegible]	512.341
Copper (tons)	[illegible]	[illegible]	123	141	154
Gold (ounces)	[illegible]	[illegible]	[illegible]	[illegible]	73

Galena Unit. Recovered ore grade at the Galena silver mine in North Idaho improved in 1989, grading 15.3 ounces of silver per ton compared to 15.1 ounces per ton in 1988. Hecla holds a 12½% effective interest in the Galena Unit, which is owned by Callahan Mining Corporation and operated by ASARCO Incorporated. Hecla's share of the silver production at the Galena mine rose slightly in 1989 to [illegible] ounces compared to 381.078 in 1988.

Coeur Unit. The Coeur silver mine in North Idaho reported a decrease in average recovered grade in 1989, falling to 13.8 ounces of silver per ton from 14.2 ounces per ton in 1988. Hecla owns a 5% interest in the Coeur Unit, which is operated by ASARCO Incorporated. Hecla's share of the silver produced at the Coeur Unit was 109.923 ounces in 1989, compared to 105.781 ounces in 1988.

Coeur Unit (Reflects Hecla's 5% Share)	1989	1988	1987	1986
Tons of ore milled	7.952	[illegible]	[illegible]	[illegible]
Silver recovered grade				
(ounces per ton)	13.8	14.2	[illegible]	[illegible]
Metals produced				
Silver (ounces)	109.923	105.281	[illegible]	[illegible]
Copper (tons)	[illegible]	[illegible]	3	[illegible]
Gold (ounces)	22	16	3	17



SEALASKA CORPORATION
ADMIRALTY ISLAND EXCHANGE LANDS

LEGEND:
SEALASKA EXCHANGE LANDS
SOUTHEAST CONFERANCE PROPOSAL

MAP PREPARATION BY:
JAMES M. MONTGOMERY
CONSULTING ENGINEERS, INC.

DATE: 8 MAY 1980

N
E
1 .5 0 1 2 3 4 Miles
LAKE JOSEPHINE
WALES ISLAND

NUTKWA INLET

Township	Range	Sec.	Legal Description	Approx. Acres
77S	85E	25	S1/2SE1/4	80
		36	E1/2, E1/2W1/2, W1/2SW1/4	540
				620
78S	85E	1	Fractional All	470
		2	Fractional All	630
		11	Fractional All	184
		12	Fractional All	410
		13	Fractional All	120
		14	Fractional All	50
			Subtotal	1,864
			GRAND TOTAL	2,484

Southeast Alaska Conservation Council
SEACC • P.O. Box 021692 • Juneau, Alaska 99802 • (907-586-6942)

Washington, D.C. Office:
c/o National Audubon Society
801 Pennsylvania Avenue S.E.
Washington, D.C. 20003
(202-547-0141)

May 18, 1990

The Honorable J. Bennett Johnston
U.S. Senate
Washington, DC 20510

Dear Senator Johnston:

As your substitute to H.R. 987 moves closer to a Senate floor vote, I wanted to clarify SEACC's position concerning this important measure.

Although we support the stronger language of the House-passed version of H.R. 987, we feel that your substitute is a significant compromise measure for the Senate. Your substitute does go a long way toward garnering meaningful Tongass reforms.

SEACC believes that moving forward with a time agreement is the best way to get a good bill passed by the Senate without further delay, and the best way to get to Conference Committee where we hope the bill will be strengthened further.

In regard to the proposed amendments within the context of the time agreement SEACC has the following comments:

1) We support your buffer zone amendment which will improve needed protection for Class II streams.
2) We support your Goldbelt exchange amendment as being in the public interest.
3) We support the Yakutat Forelands technical map change in order to honor the concerns of the community of Yakutat.
4) We support the Greens Creek exchange amendment. We think this is a fair value exchange which resolves a long-standing issue. We especially like the 10% royalty provision and the addition of important lands adjacent to the Nutkwa protected area. These scenic lands at the entrance to Nutkwa Lagoon possess very high fish, wildlife, subsistence, and recreation values. Also, we support an additional amendment to this Greens Creek land exchange amendment which would secure protection of Lake Florence, a valuable watershed located in the heart of Admiralty Island.

Finally, we hope that disputes over these amendments do not needlessly delay a vote on your Tongass legislation. We urge that the bill go to the floor at the earliest possible opportunity.

Thank you, Senator, for your leadership on this critical issue. Please know how much SEACC appreciates the hard work of you and your staff.

With best regards,

Bart Koehler

Bart Koehler
Executive Director

APPENDIX F

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Senator **Murkowski**. Mr. Loescher, you are known as a very shrewd timber manager. Why are you giving up $14 million worth of timber to make this very chancy and iffy return? Because as you point out, there could be no value in those subsurface rights that you are getting in exchange.

Mr. **Loescher**. Mr. Chairman, there is a perception by members of the Senate and the public that what we are offering here is unequal. And so we have sought to find a way to make the values equal on both sides of the exchange, to the United States and to ourselves. And it happened to be that in the course of the Senate's deliberations on the 12 areas recognized as conservation areas in your bill, that the Nutkwa Lagoon area might be of interest. We own the waterfront in front of the proposed area in the Senate bill. And we felt that—we were approached by members of the government and the conservation community as to whether or not we would accede to trading those. And so in order to equalize this transaction we have offered that.

Senator **Murkowski**. Well, I accept that offer, but that does not dispel your shrewdness at trading timber.

Thank you.

Mr. Cooper.

STATEMENT OF BOBBY E. COOPER, GENERAL MANAGER, U.S. MINES, KENNECOTT CORP.

Mr. **Cooper**. Mr. Chairman and members of the Subcommittee, my name is Bobby Cooper. I am General Manager of U.S. Mines for the Kennecott Corporation.

Kennecott is pleased to have this opportunity to present testimony on the proposed land exchange between the Federal Government and the Sealaska Corporation, involving lands adjacent to the Greens Creek Mine. Kennecott strongly supports enactment of S. 2273 or a comparable land exchange. Kennecott is headquartered in Salt Lake City, Utah, and is one of the Nation's largest and oldest precious and base metal producers. Kennecott has the major ownership interest and is the operator of the Greens Creek Mine located on Admiralty Island.

Let me express Kennecott's thanks to the members of the Subcommittee for holding a timely hearing on this important issue. The opportunity to explore the lands adjacent to the Greens Creek Mine are important to the future of the existing mine, and the economic benefits it provides to the citizens of Alaska and the United States.

The mineral deposit was first identified in 1975, and the Greens Creek Mine began production on February 1st, 1989. The estimated life of the mine is 10 years from the start of production. Over $170 million were spent by the Greens Creek Joint Venture to bring this underground mine into production. Of equal importance are the economic benefits for the State of Alaska that have been generated by the mine's operation. The mine currently employs approximately 250 full-time employees; it has created jobs for Alaskans in the surrounding local communities; and the mine's payroll is $16 million annually.

Economic benefits to Southeast Alaska are magnified by businesses servicing the mine. Additionally, the mine provides significant contributions to local, state and Federal tax revenues.

Contrary to the belief of some, this mine is not a cash cow, and its success is dependent on the opportunity to extend the mine life through a land exchange as proposed here, in order to allow for additional exploration and potential development. Unfortunately, the Greens Creek Mine lost over $8 million during its first year of operation in 1989. And the operation hopes to break even in 1990.

The proposed land exchange would permit exploration that could lead ultimately to further underground development if economic mineralization is discovered. All future development would occur with the consent of the Forest Service.

The Greens Creek Mine has been exemplified by many, including the Forest Service, as an example of a mine that can be developed and operated in a conservation area without damage to the environment. Although extensive exploration has not been conducted on the proposed exchange lands, the Joint Venture hopes that the lands adjacent to the Greens Creek Mine may be highly prospective.

The known geologic structures of the mine are such that the mineral deposits are in zones spread over a relatively large area. Within the existing mining claim, zones of economically recoverable ore have been discovered, but these tend to be scattered throughout the Greens Creek claims.

The Alaska National Interest Lands Conservation Act of 1980 precluded exploration of the Greens Creek area after 1985, except for the one-year exploration-only period in 1986. Only minerals discovered and patented prior to that time frame could be developed. During consideration of ANILCA, the Congress agreed to permit further exploration on certain existing claims at Greens Creek during this five-year period.

The faulting and fractured nature of the mineral deposits at Greens Creek made it impossible to fully explore the Greens Creek Mine and the adjacent area before the expiration of the five-year period provided by ANILCA. If the ANILCA prohibition on further exploration of the adjacent lands is removed, the Greens Creek Joint Venture could explore the area in hopes that the remaining nine-year life of the Greens Creek Mine could be extended by new economic mineral discoveries.

The Greens Creek Joint Venture has demonstrated that it has the ability to develop mineral deposits in the Greens Creek area in a sound and environmentally responsible manner. Sealaska and the U.S. Forest Service have reached agreement on the elements of a land exchange which would free the way for exploration and possible development of economic mineral deposits that might be present adjacent to the Greens Creek Mine. This exchange was described in detail by other witnesses at the hearing.

Kennecott is negotiating an agreement with Sealaska whereby the Greens Creek Joint Venture could conduct exploration and production of any economic deposits found in the lands received by Sealaska through this exchange. S. 2273 would make this agreement a condition precedent of the land exchange. Sealaska and the Greens Creek Joint Venture believe this is needed and fair, since the Greens Creek Joint Venture has spent over $170 million in bringing the Greens Creek Mine on line. And over the last five years, Sealaska and the Greens Creek Joint Venture have worked together in a cooperative spirit to accomplish the land exchange.

Kennecott believes that economically recoverable deposits of silver, gold, lead and zinc may exist on these lands. But this view is only an educated guess based on the geologic structure underlying the Greens Creek Mine. The value of the mineral deposits on these lands is not known by the government or any private party, and will not be known until extensive exploration occurs.

The Greens Creek Joint Venture would bear the cost of further exploration. The Greens Creek Joint Venture believes that the proposal constitutes an exchange that is in the public interest. It must be emphasized that all the subsurface lands in this exchange have no known mineralized value. Only exploration can determine if such mineralization exists. Extensive exploration has yet to be completed on these lands.

The land exchange would promote a number of conservation and economic objectives which are in the National interest. First, as noted by Sealaska, the land exchange would be combined with the creation of an Admiralty Island inholding acquisition fund.

Second, the United States would immediately receive title to several important surface and subsurface inholdings within the Tongass National Forest. This exchange would further the government's interest to consolidate holdings within protected wilderness areas.

Third, further discoveries, if made, of silver, gold, zinc and lead would serve to reduce the reliance of our Nation on foreign sources of valuable minerals.

And finally, the opportunity for extending the remaining life of the Greens Creek Mine and the economic benefits it provides to the local, state and Federal levels would be realized. Specifically, the Greens Creek Joint Venture believes this exchange is in the National interest because it would provide a valuable source of need employment for the residents of Southeast Alaska, a necessary cash infusion into the economies of local communities, and potential payments by the mine and its employees to the Federal, state and local tax base.

The proposed land exchange being considered by this Subcommittee represents an immediate opportunity to accomplish all these National interest objectives.

I would be happy to respond to any questions.

Thank you.

[The prepared statement of Mr. Cooper follows:]

Testimony
of

Bobby E. Cooper
General Manager, U.S. Mines
for the
Kennecott Corporation

Before the Subcommittee on
Public Lands, National Parks and Forests
Energy and Natural Resources Committee
on the
Greens Creek Exchange Act (S. 2273)

June 28, 1990

INTRODUCTION

Mr. Chairman, and Members of the Subcommittee, Kennecott Corporation is pleased to have this opportunity to present testimony on the proposed land exchange between the Federal Government and the Sealaska Corporation involving lands adjacent to the Greens Creek Mine, as delineated in S. 2273. Kennecott strongly supports enactment of S. 2273, or a comparable land exchange between Sealaska and the U.S. Forest Service.

Kennecott Corporation, headquartered in Salt Lake City, Utah, is one of the Nation's largest and oldest precious (gold and silver) and base (copper, lead and zinc) metal producers with domestic operations in Alaska, Nevada, South Carolina, Utah, Wisconsin and Wyoming. We conduct exploration activities chiefly in North America and Papua New Guinea.

Kennecott has the major ownership interest (53.1%) and is the operator of the Greens Creek Mine. The mine is located within the northeastern part of Admiralty Island National Monument in Southeast Alaska. The other members of the Greens Creek Joint Venture include the Hecla Mining Company (28.0%), CSX Energy Corporation (12.7%), and Exalas Resources (6.2%).

At the outset of my testimony, let me express Kennecott's thanks to Senator Johnston, and Members of this Subcommittee for holding a timely hearing on this important issue. The opportunity to explore the lands adjacent to the Greens Creek Mine are important to the future of the existing mine and the economic benefits it provides to the citizens of Alaska and the United States. Kennecott would like to publicly thank Sealaska for its many years of diligent work on this matter, and the commitment of the dedicated members of the U.S. Forest Service in both Alaska and Washington that have put together a realistic land exchange agreement with Sealaska.

GREENS CREEK MINE

The mineral deposit was first identified in 1975, and the Greens Creek Mine began production on February 1, 1989. The estimated life of the mine is ten years. Over 170 million dollars (1988 $) was spent by the Greens Creek Joint Venture to bring the mine into production. It is anticipated that during peak production, the mine will process annually 6.4 million ounces of silver, 30,000 ounces of gold, 25,000 tons of zinc and 9,000 tons of lead.

Of equal importance are the economic benefits for the State of Alaska that have been generated by the mine's operation. The mine currently employs approximately 250 full-time people and has created jobs for Alaskans in the surrounding local communities. The mine's payroll is $16 million annually. Economic benefits to Southeast Alaska are magnified by businesses servicing the mine. Additionally, the mine can provide significant contributions to local, state, and federal tax revenues. These include local sales taxes, income taxes, and state mining taxes.

Contrary to the belief of some, this mine is not a "cash cow", and for it to be successful, it will be essential to extend its mine life through a land exchange, as proposed here, in order to allow for additional exploration and potential development. Unfortunately, the Greens Creek Mine lost over $8 million its first year of operation in 1989, and the operation hopes to break even in 1990, although a loss for 1990 is still possible.

The high cost involved in developing the mine is partly the result of environmental requirements. It is an underground mine and its operation has not been challenged by any environmental group. What the proposed land exchange would do is permit exploration in the area that could lead ultimately to further underground development if economic mineralization is discovered. All future development would occur with the consent of the Forest Service, since the Forest Service would continue to own the surface acreage of the entire area. The Greens Creek Mine has been held out by many, including the Forest Service, as an example of a mine that can be developed and operated in a conservation area without damage to the environment.

BACKGROUND

Although no extensive exploration has been conducted on the proposed lands to be exchanged, the Joint Venture hopes that the lands adjacent to the Greens Creek Mine may be highly prospective. The known geologic structures at the mine are such that the mineral deposits are spread over a relatively large area in zones. Within the existing mining claims, zones of economically recoverable ore have been discovered, but these tend to be scattered throughout the Greens Creek claims.

The Alaska National Interest Lands Conservation Act of 1980 (ANILCA) precluded exploration of the area after 1985. Only minerals discovered prior to that time frame could be developed, as no further exploration after 1985 was allowed in the area except for the one-year-only period of exploration in 1986. During consideration of ANILCA, the Congress agreed to permit further exploration on certain existing claims at Greens Creek during this five-year period (1981-1985) fashioned after a compromise involving the Quartz Hill deposit near Ketchikan, Alaska. Unfortunately, the geologic formations of the deposits at Quartz Hill and Greens Creek are substantially different. The faulting and fractured nature of the mineral deposits at Greens Creek made it impossible to fully explore the Greens Creek area before the expiration of the five-year period provided by ANILCA. None of the lands immediately adjacent to the Greens Creek Mine was extensively explored for mineralization prior to the ANILCA deadline of 1985. If the ANILCA prohibition on further exploration of the adjacent lands is removed, the Greens Creek Joint Venture could explore the area in hopes that the remaining nine-year life of the Greens Creek Mine could be extended by new economic mineral discoveries.

Attached to this testimony is a summary prepared by a Greens Creek Joint Venture geologist of all minerals exploration conducted by the Joint Venture in the Greens Creek drainage between 1973 and 1990. This summary confirms that very limited exploration has been conducted on the lands adjacent to the Greens Creek Mine. Let me emphasize that no economic mineralization has been discovered on those lands.

The Greens Creek Joint Venture has been actively involved in discussions since 1984 with the Federal Government and other owners of inholdings in the Admiralty National Monument in trying to identify a means of exploring the adjacent lands, while accomplishing the Federal policy objective of consolidating private inholdings within national conservation units.

The Greens Creek Joint Venture has demonstrated that it has the ability to develop mineral deposits in the Greens Creek area in a sound and environmentally responsible manner. As the operators of the Greens Creek Mine, Kennecott and the Greens Creek Joint Venture have made it a practice to work closely with the Federal Government and other members of the public to resolve potential problems. Such practices would continue should the adjacent areas be made available for exploration and potential development.

THE PROPOSED LAND EXCHANGE

The Alaska Native Regional Corporation, Sealaska, and the U.S. Forest Service have reached agreement on the elements of a land exchange, which would free the way for exploration and possible development of any economic mineral deposits that might be present adjacent to the Greens Creek Mine. Under the proposed exchange, Sealaska would receive over 18,000 acres of subsurface lands adjacent to the Greens Creek Mine, and another 14,000 acres of lands elsewhere in the Tongass National Forest.

In the exchange, the United States would receive over 33,000 acres of subsurface lands in the Tongass National Forest from Sealaska. This land is valuable because it represents some of the remaining private inholdings in the Tongass. The Government and the environmental community have long coveted privately held lands in an effort to consolidate the Tongass into Federal ownership. The exchange serves that public interest purpose. As part of the exchange, Sealaska also would transfer ownership of over 2,400 acres of surface estate surrounding Nutkwa Lagoon. This area has long been held out as an environmental priority for consolidation within the proposed conservation unit because of its scenic, wildlife and recreational qualities. Sealaska has harvestable timber at Nutkwa valued in the millions of dollars, which it would trade as part of this proposed exchange. Sealaska is therefore exchanging lands of known economic and aesthetic value for lands with a speculative mineral value. As part of this exchange, Sealaska would also grant a valuable option to the Forest Service for the subsurface estate underlying the Cube Cove drainage on Admiralty Island. The ownership interests of the United States in the Cube Cove subsurface would automatically vest upon a subsequent agreement with the Shee Atika Corporation transferring the Cube Cove surface estate to the Government. The Forest Service and the Sierra Club have been seeking to consolidate Cube Cove in the conservation unit for years. This future interest in the Cube Cove subsurface estate brings these parties closer to realizing that goal.

The exchange also includes a unique revenue sharing provision that requires Sealaska to transfer to the United States Government 10 percent of all payments received from development of its lands in the Greens Creek Mine area. This revenue is to form an Admiralty Island Inholding Acquisition Fund to be used solely for other land acquisitions by the Government in the Tongass National Forest.

Kennecott is negotiating an agreement with Sealaska whereby the Greens Creek Joint Venture could explore and develop any economic deposits found on the lands received by Sealaska through this exchange. S. 2273 would make this agreement a condition precedent of the land exchange. Sealaska and the Greens Creek Joint Venture believe this is needed and fair, since the Greens Creek Joint Venture has spent over $170 million in bringing the Greens Creek Mine on line, and over the last five years Sealaska and the Greens Creek Joint Venture have worked together in a cooperative project to accomplish the land exchange.

Kennecott believes that economically recoverable deposits of silver, gold, lead, and zinc may exist on these lands, but this view is only an educated guess based on the geologic structure underlying the Greens Creek Mine. The value of the mineral deposits on these lands is not known by the Government or any private party and will not be known until further exploration occurs. Sealaska is therefore taking a gamble in deciding to trade lands it currently owns for the remainder of the Greens Creek Mine area. The Greens Creek Joint Venture would bear the costs of further exploration.

The Greens Creek Joint Venture believes that the proposal constitutes an exchange that is in the public interest between Sealaska and the United States Government, but we defer to Sealaska in responding to the issue of valuation. It must be emphasized that all the subsurface lands in this exchange have no known mineralized value. Only exploration can determine if such mineralization exists, and no extensive exploration has yet occurred on these lands. Without extensive exploration, no reputable geologist can predict with certainty the mineral content of these exchanged lands or their value.

The land exchange would promote a number of conservation and economic objectives, which are in the national interest. First, as noted above, the land exchange would be combined with the creation of an Admiralty Island Inholding Acquisition Fund. The Fund would be used by the Government for purchasing privately owned lands within the Admiralty Island wilderness and other conservation units on a willing seller/willing buyer basis.

Second, the United States would immediately receive title to several surface and subsurface inholdings within the Tongass National Forest, including the surface land at Nutkwa Lagoon, which is prized for its aesthetic value. The exchange of the subsurface estate at Cube Cove would provide the Government with a valuable future interest, plus the immediate protection of this area from further development. This would further the Government's interest to consolidate holdings within protected wilderness areas.

Third, further discoveries, if made, of silver, gold, zinc and lead would serve to reduce the reliance of our Nation on foreign sources of valuable minerals.

Finally, the opportunity for extending the remaining life of the Greens Creek Mine and the economic benefits it provides to the local, State and Federal levels would be realized.

Specifically, the Greens Creek Joint Venture believes this exchange is in the national interest because it would provide: (1) a valuable source of needed employment for residents of Southeast Alaska; (2) a needed cash infusion into the economies of the local communities; and (3) potential payments by the mine to the federal, state, and local tax base. The proposed land exchange being considered by this Subcommittee represents an immediate opportunity to accomplish all these national interest objectives.

CONCLUSION

It is imperative that further exploration of the subsurface lands adjacent to the Greens Creek Mine be authorized, as provided by the proposed land exchange. Such exploration and potential development of the lands adjacent to the Greens Creek Mine could then go forward carefully and in close coordination with the U. S. Forest Service managers of the Admiralty Island Monument. Kennecott, on behalf of the Greens Creek Joint Venture, appreciates this opportunity to submit testimony on the proposed land exchange, which is of great importance to the future of the Greens Creek Mine, Southeast Alaska, and the United States.

Attachment

SUMMARY

Minerals Exploration in the Greens Creek Drainage
1973 - 1990

The Greens Creek drainage, or the nonwilderness portion of the Admiralty Island National Monument, essentially defines the area to which Sealaska Corporation seeks to acquire subsurface rights through the proposed land exchange with the U. S. Forest Service.

The first indications of mineralization at the site of the Greens Creek Mine were returned when stream sediments collected in 1973 were found to contain anomalously high contents of metals. Follow up work in 1974 discovered a vegetative "kill zone" where metals bleeding into the forest floor from near-surface mineralization had poisoned the overlying vegetation. Claim staking followed and in 1975 the first drill hole on the Big Sore claims, named after the vegetative "kill zone", intercepted a better than 90 foot thickness of massive sulfide mineralization. Had this thick interval of mineralization, still one of the thickest intercepts of truly massive sulfide mineralization at Greens Creek, not been so near the surface, it's doubtful the Greens Creek orebody would have been discovered.

Additional claim staking expanded the original claim block into a contiguous package of that stretched from south of the current mine site northwesterly across Zinc Creek to the mouth of Hawk Inlet. However, as is often the case with major mineral discoveries, subsequent exploration efforts tended to concentrate in the vicinity of the known mineralization. This natural tendency was accentuated by the inclusion of the Greens Creek drainage in the Admiralty Island National Monument by President Carter in late 1978.

Creation of the Monument closed the drainage to mineral entry and effectively limited minerals exploration to those claims on which valuable minerals had been discovered prior to the creation of the Monument. Although passage of ANILCA in 1980 placed the Greens Creek drainage in a Nonwilderness category and allowed for mineral exploration on some "unperfected" mining claims over a five year period, it continued to restrict exploration to claims within a 3/4 mile radius of the 8 claims judged to possess valid mineral discoveries prior to the passage of ANILCA ("core claims"). Within that 3/4 mile radius Kennecott Greens Creek Mining Company has succeeded in validating 9 additional claims, bringing the total of" patentable" claims to 17 (see Figure 1). However, the mineral potential of the Greens Creek drainage and the true extent of the Greens Creek orebody remain poorly known because of the geometrically complex nature of the orebody and its host rocks and the restrictions that have been imposed on minerals exploration.

The following table summarizes the different types of exploration and where they have been conducted within the Greens Creek drainage. Types of exploration have been listed in general order of level of study, i.e., the most cursory types of exploratory activities are listed first and the most intensive types of exploration are listed last. Locations are referenced in the accompanying Figure 1. Note that east of Big Sore Creek in the upper reaches of the Greens Creek drainage and in the South Fork Greens Creek subdrainage only reconnaissance level stream sediment surveys have been conducted.

TABLE A.

EXPLORATION ACTIVITIES AND THEIR LOCATIONS IN THE GREENS CREEK DRAINAGE

Type of Activity	Location
Stream sediment sampling	All of Greens Creek drainage
Geologic mapping	From S boundary of drainage between Big Sore and Gallagher Creeks to Mammoth Claims; Upper reaches of Zinc Creek; Along road Hawk Inlet to Mine site.
Soil Geochemistry & Ground Geophysics	Between Big Sore and Gallagher Creeks; Killer Creek to Mammoth Claims area; Upper Zinc Creek.
Core Drilling	"Patentable" claims between Big Sore and Gallagher Creeks; Bruin Creek and Killer Creek areas; Mammoth Claims.

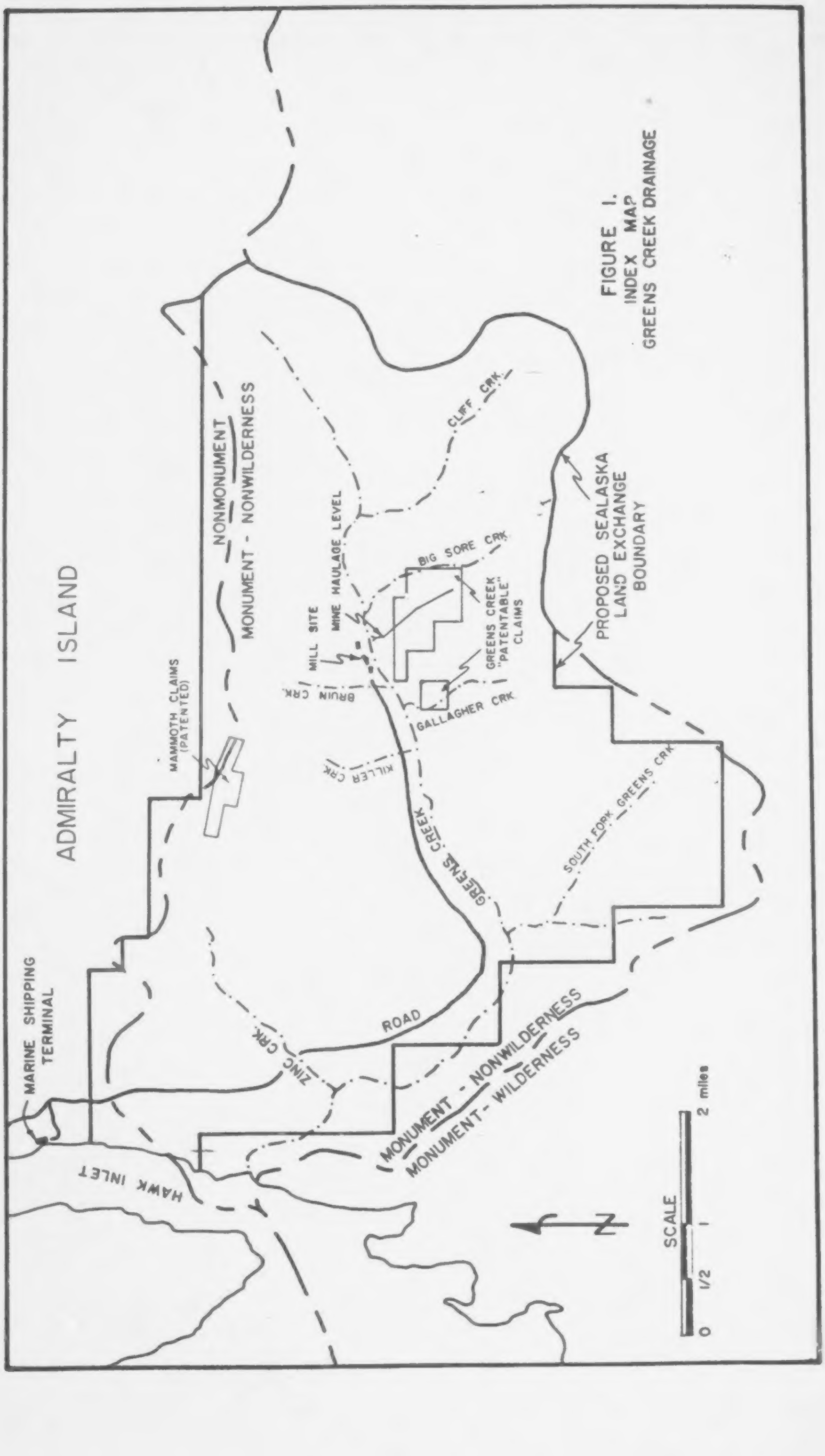
ADMIRALTY ISLAND
MARINE SHIPPING TERMINAL
HAWK INLET
MAMMOTH CLAIMS (PATENTED)
NONMONUMENT
MONUMENT - NONWILDERNESS
MILL SITE
MINE HAULAGE LEVEL
BRUIN CRK.
KILLER CRK
GALLAGHER CRK
GREENS CREEK "PATENTABLE" CLAIMS
BIG SORE CRK
CLIFF CRK
PROPOSED SEALASKA LAND EXCHANGE BOUNDARY
GREENS CREEK
ROAD
ZINC CRK
SOUTH FORK GREENS CRK
MONUMENT - NONWILDERNESS
MONUMENT- WILDERNESS
N
SCALE
0
1/2
1
2 miles

FIGURE 1.
INDEX MAP
GREENS CREEK DRAINAGE

Senator MURKOWSKI. Thank you very much, Mr. Cooper.

Senator Garn, do you have any questions?

Senator GARN. I might ask one. You indicated you lost $8 million, and I assume that when you went into the venture that was not your design. You went in for a return, and there is a risk, and you hope to recover it. So you do not know how important these exchanges will be unless they are realistic in the sense of providing you with higher grades or longer life. If you knew what you know now, had you known that before, and this is a senatorial-type question, you have to listen closely, would you have gone in and invested, how much?

Mr. COOPER. $170 million.

Senator MURKOWSKI. $170 million to date over a several-year period, and you are $8 million in the hole. So you are not just $170 million, you are $178 million. Would you have gone into this mine had you known that before?

Mr. COOPER. That is difficult to really answer, because it is based on the value of what you can sell the minerals for today. At today's prices I would say it is very marginal that we would have started the project.

Senator MURKOWSKI. I think that is very interesting for the record to reflect, because a lot of our colleagues just assume that any time you have a sophisticated mining company go into business it is going to make a lot of money. But you can lose money. You can go broke. And the market can decline. And all these things are applicable to Greens Creek and are occurring in one sense or the other.

You indicated a 10-year life for this mine, is that right?

Mr. COOPER. That is correct.

Senator MURKOWSKI. It would seem to me, and I am not a heavy mathematician, but if you have got $170 million invested, and you have already got $7 million in loss, you better start turning that around pretty quick or find some more minerals.

Mr. COOPER. We agree with that.

Senator MURKOWSKI. Senator Garn.

Senator GARN. Well, you have heard all of the conversations about relative values and so on, and we all agree on the difficulty of knowing without drilling hundreds of holes. But could you clarify for the record what information Kennecott does have, what do you know at this point about value?

Mr. COOPER. Senator Garn, we really know very little about the exchange lands. Most of the information that we have is based on some very limited surface geophysical activities that were conducted during the five-year period. There are a limited number of drill holes, none of which struck any ore that would be considered economic at prices at that time or today.

The only thing we know is what we can speculate, based on the drilling we have done at the Greens Creek Mine itself.

Senator GARN. But I would assume that you would not want to spend additional money and go ahead with this agreement unless you did at least have a feeling that there was some value there.

Mr. COOPER. That is correct. We would need to do some drilling very close to property boundaries to determine if it appears that there are any extensions of ore bodies beyond our boundaries. If we were unable to see that, it is doubtful whether we would want to spend the money to develop something else.

Senator **Garn**. Assuming that the land exchange between Sealaska and the Forest Service was completed, and Kennecott did initiate exploration and eventual development, do you have any idea, or a rough estimate, of what dollar expenditures you would anticipate?

Mr. **Cooper**. I can only use judgment based on what we have spent for exploration on the Greens Creek Mine area, and some that is going on right now. Surface drill holes right now cost us an estimated $150,000 per hole. That is because of helicopters and the way you set the drill holes up, and so forth. I would estimate that if you really explored the entire acreage, you would be well over $50 million into exploration.

As far as development of that property, we spent $170 million on the existing one. It is true that some of the infrastructure would not have to be replaced, but I would still estimate that it would be in excess of $100 million for development of that property. And the time frame would probably be somewhere between five and 10 years.

Senator **Garn**. Thank you. I have no other questions.

Senator **Murkowski**. Thank you.

Mr. James Senna.

STATEMENT OF JAMES P. SENNA, PRESIDENT AND CHIEF EXECUTIVE OFFICER, SHEE ATIKA, INC.

Mr. **Senna**. Thank you, Mr. Chairman, members of the Committee.

My name is James Senna. I am President and Chief Executive Officer Shee Atika, Incorporated, a native corporation formed by the natives of Sitka, under the Settlement Act. I have submitted a more extensive, which I understand will be made part of the record.

I appreciate the Committee's interest in hearing our views on S. 2273, and we welcome this opportunity to share them with you.

The Settlement Act was adopted in 1971 with great hope and promise for the Alaska natives. Yet, it was not until 1987, 16 years after passage, that Shee Atika finally proved its right to use its land grant. The answer to this long delay is simple: we were among the last to receive our land entitlement, which we finally did in 1981, and we were tied up in litigation with conservationists for the next six years, proving our right to develop our land, which we finally did in 1987.

Our land is the 23,000 acres on Admiralty Island, comprising the Lake Florence, Ward Creek, and Lake Kathleen drainages, and commonly referred to as the Cube Cove property. We own the surface interests only. The present situation is complicated by the fact that we had to sell the trees in a stumpage sale in 1987 to avoid bankruptcy precipitated by our extended litigation. We did not want to sell; we had to sell.

Atikon was the purchaser, and we own 49 percent of Atikon. Koncor, which in turn, is owned by four other native corporations, owns 51 percent of Atikon. Sealaska, being the regional corporation, owns the subsurface at Cube Cove.

We have no objections to Sealaska's acquisition of the Greens Creek subsurface. However, we must protect our hard-earned property rights at Cube Cove. For that reason, we have vigorously opposed all of Sealaska's proposals to acquire Greens Creek, which involve transfer of any interest in their subsurface at Cube Cove to the government, because of the adverse effect any such public interest will have on our property rights.

By interest, I mean any option or future claim of any nature, as well as outright ownership. The Garn amendment, recently debated in connection with the Tongass legislation, is an example. And we will continue to oppose any such legislative proposals.

In summary, we are neutral on S. 2273 in its present form, but we remain very concerned about possible efforts to amend to include Sealaska's Cube Cove subsurface that we know are being discussed.

Shee Atika was approached about two years ago by both the Forest Service and the Sierra Club, separately, each expressing the same goal of restoring our Cube Cove property to the National Monument. From the outset, we expressed to both parties a willingness to work with them to accomplish this goal. We have been working with the Forest Service, as has Atikon, and progress is being made. To date, discussions have focused on the Lake Florence drainage because the primary concern is to save the trees there.

Interest has also been expressed in acquiring our interest in the other two drainages after the timber has been harvested. That issue has not yet been discussed to any great extent, but we are wiling to enter into those discussions.

We are willing to continue all of these efforts, however, Shee Atika believes they would be more productive if S. 2273 is placed on hold, and instead, the Secretary be directed to work with all parties towards resolution of the Greens Creek and Cube Cove issues together.

I wish to thank you for allowing us to testify, and I would be happy to answer any questions.

Thank you.

[The prepared statement of Mr. Senna follows:]

Statement of James P. Senna,
President and CEO of Shee Atika, Inc.,
Before the Senate Committee on Energy and Natural Resources, on June 28, 1990, on S. 2273

Mr. Chairman, my name is James P. Senna. I am the President and Chief Executive Officer of Shee Atika, Incorporated, which is the Native corporation formed by the Natives of Sitka, Alaska, under the provisions of the Alaska Native Claims Settlement Act. Shee Atika has over 1,900 shareholders, most of whom live in Southeast Alaska.

We appreciate the Committee's interest in hearing our views firsthand on S. 2273 and I thank you for giving us this opportunity.

Shee Atika is one of only four "urban" corporations formed under ANCSA and as such Shee Atika did not share in the general funds provided for under the Settlement Act as did virtually all other Native corporations. Nor does Shee Atika share under Section 7(i) of the Settlement Act, the provision which provides for revenue sharing of income generated from subsurface estates granted to the Regional corporations.

Our principal grant was the 23,040 acres on Admiralty Island. It is located in the vicinity of Cube Cove and I will refer to this property as the "Cube Cove" property.

From the beginning, therefore, we knew that our land selection at Cube Cove would be our only source of wealth. So if we have displayed some anxiety in the Admiralty Island debate, we hope you will understand.

Shee Atika has suffered through very difficult times. The Cube Cove land was not Shee Atika's first choice. Our first selection was land on South Admiralty, at Hood Bay. The Hood Bay selection was opposed and challenged in federal court mainly because the land was in close proximity to the Village of Angoon. The irony is that Angoon originally encouraged this selection.

In view of the opposition, we offered to change our selection, but only if property of comparable value could be found. The Hood Bay land was appraised at $176,000,000 in 1980. The Forest Service proposed we relocate to the mainland, in the vicinity of the Chuck River, but those lands were appraised at only $20,049,000. The Cube Cove property then became available and prior to agreeing to move our selection we had it appraised by an independent appraiser who determined that its value was $186,000,000. This occurred in 1980.

We reviewed our appraisal figures with the Forest Service and Congressional staffs and based on the comparable values and on the fact that we would be moving about 30 miles from the Village of Angoon, we agreed to relocate our land selection to Cube Cove.

Congress agreed by Section 506(c) of the Alaska National Interests Lands Conservation Act of 1980 to give us those lands. Shee Atika finally received the interim conveyance in late 1981.

Despite the clear provisions of Section 506(c) and despite a further Congressional statement in a later Public Law (P.L. 99-235) that Congress intended Shee Atika to have the full benefits of ownership at Cube Cove, conservationists brought litigation that from 1982 into 1987 effectively prevented us from developing our land. We won every appeal and were finally vindicated by the U.S. Supreme Court 16 years after passage of ANCSA.

Unfortunately, due to the extended land selection procedure and the extended litigation, and to the fact that no other sources of funds were available under the Settlement Act, See Atika was insolvent and on the brink of bankruptcy. Shee Atika exercised the only option available to avoid bankruptcy. That was to sell all of its timber in a stumpage sale. Shee Atika did not want to sell. It had to sell. While the sale generated some much needed cash, the sale resulted in an operating loss because timber markets were so depressed in 1987. The net operating loss that resulted was then sold, giving Shee Atika the capital it needed to avoid bankruptcy and to begin rebuilding the corporation.

The stumpage (not the land) was sold to Atikon Forest Products, Inc., a corporation owned 51% by Koncor Forest Company, and 49% by Shee Atika. Koncor in turn is owned by 4 other Alaska Native corporations formed by the Natives of Chenega, Kodiak, Yakutat and Ouzinkie. By express written agreement, Koncor, and not Shee Atika, must control Atikon. Thus, Koncor and Atikon are both independent of Shee Atika and each party will present its own testimony here. What is important to remember is that the right to harvest timber at Cube Cove on Shee Atika's lands now involves five different Alaska Native corporations. It is not only Shee Atika that can be affected by this legislation.

Because the Settlement Act provides that the Regional Corporation is granted the subsurface interest to any lands granted to a village or urban corporation, at Cube Cove we have Sealaska owning the subsurface, Shee Atika owning the surface and Atikon owning the trees.

Almost two years ago the Forest Service approached Shee Atika with the idea of how the various property interests at Cube Cove might be restored, in time, to the National Monument. At about that same time the Sierra Club made a similar contact with Shee Atika. My response to both was that Shee Atika would be willing to cooperate with any effort to accomplish this goal on two conditions: (1) Shee Atika must receive full value for any interests it relinquishes in any final exchange, and (2) nothing must be done which would in any way encumber Shee Atika's property rights or jeopardize the right of Atikon to continue logging at Cube Cove. Not only was the second condition necessary to protect Atikon, it was also needed to protect Shee Atika because Shee Atika has indemnified Atikon against any interference with logging. This indemnification was a condition of sale imposed by Atikon because of Shee Atika's history of litigation at Cube Cove. Shee Atika also has its long term rights in the property to protect.

While Shee Atika does not oppose Sealaska receiving the subsurface estate at Greens Creek, Shee Atika is opposed to any trade that would transfer in any way any option or other interest in the subsurface estate at Cube Cove to the federal government without a simultaneous transfer of the adjacent surface and timber interests. We are adamant on this point. The Garn Amendment, which was debated during consideration of the Tongass legislation, would have created such an interest and we would have opposed it as well as anything similar.

There are many implications of government ownership of the subsurface that have adverse impact on our right to enjoy our surface interest for both the short and long terms. The most immediate is our conviction that ownership of any interest in subsurface at Cube Cove by the federal government, even if only a contingent interest, would open doors to litigation and other problems that could result in Atikon's operations being closed down temporarily, if not permanently. As an example, and we could cite others, Atikon cannot harvest its stumpage without sand, gravel and roads. If any interest in the subsurface is transferred to the federal government, our ability to secure sand and gravel would be jeopardized. It could become necessary to secure various federal permits, assuming the federal government could even sell the sand and gravel of lands in wilderness status within a national monument. Before those permits could be used, an environmental impact statement would have to be prepared and a section 810 subsistence study undertaken. No sand or gravel could be removed pending those studies. The conclusions could be challenged in court. Even if the process resulted in our ability to use sand and gravel, we could not tolerate the delay. Looking into the future, if negotiations fail to result in an exchange of our Cube Cove surface interest Shee Atika would expect to exercise its right to log second growth timber. A conveyance of the subsurface to the government would effectively preclude this.

Shee Atika was forced to the very brink of bankruptcy once before by the environmentalists challenging our right to develop our property. Shee Atika cannot allow that to happen again. Therefore, we have absolutely no choice now but to continue to oppose all efforts to transfer any interest, contingent or otherwise, in the Cube Cove subsurface to the federal government.

As noted, we have been negotiating with the Forest Service regarding our surface interest at Lake Florence drainage, which is the most southerly of the three drainages at Cube Cove, and involves about 30% of the property. At the same time the Forest Service has been negotiating with Atikon to purchase the stumpage, the goal being to restore that drainage to the National Monument before the trees are cut. We believe that progress has been made and if the negotiating process is allowed to continue, agreements will be reached among all parties that will accomplish this goal.

We also understand that several of the parties share the goal of wanting to restore the other two drainages on our Cube Cove property to the National Monument after Atikon completes it logging. I have indicated to the Forest Service and the Sierra Club that Shee Atika is willing to cooperate with them toward the achievement of this goal. An amicable solution on the Lake Florence drainage will lay the groundwork for productive future discussions on the balance of the Cube Cove property.

I want to close by stating that Shee Atika is satisfied with its property holdings at Cube Cove. We have not initiated any trades. However, we are willing to cooperate with the Forest Service, the conservationists and others to restore the Cube Cove property to the National Monument. But such action must not jeopardize the existing rights of Atikon to log the property, nor encumber or diminish the value of Shee Atika's land settlement in any way. A transfer of any interest in the subsurface at Cube Cove to the federal government while Shee Atika retains the surface estate would do just that. Therefore, we oppose any transfer or option, however executory, contingent or remote in time.

Senator Murkowski. Thank you, Mr. Senna.

I understand your position at Shee Atika is neutral on the legislation

Mr. Senna. That is correct, so long as it does not involve the trade of any of Sealaska's subsurface interests at Cube Cove.

Senator Murkowski. Subsurface interests at Cube Cove?

Mr. Senna. Yes.

Senator Murkowski. How about surface at Cube Cove?

Mr. Senna. Sealaska does not own any of the surface at Cube Cove.

Senator Murkowski. So we are not concerned about the surface; it is strictly subsurface?

Mr. Senna. Yes.

Senator Murkowski. Because the surface is down at Nutkwa, is that correct?

Mr. Senna. That is correct.

Senator Murkowski. I want to make sure, though, on the Lake Florence issue, would you care to specifically identify whether that area is part of resolving—in other words, there is an environmental concern not to cut in the Lake Florence area, and that is your timber, or you have an interest in it.

Mr. Senna. That timber belongs to Atikon, and of course they are separate corporations. We do own 49 percent of Atikon. However, we do not control Atikon. And Koncor and Atikon are taking on or have been conducting those negotiations separate and apart from the negotiations that Shee Atika has been pursuing with the Forest Service with respect to the surface interests.

Senator Murkowski. And there are about 7 million board feet of timber left there?

Mr. Senna. About 165 million.

Senator Murkowski. Excuse me, 7,000 acres left.

Mr. Senna. Roughly between 6,000 and 7,000.

Senator Murkowski. There was 22,000 acres initially, right?

Mr. Senna. Roughly 23,000.

Senator Murkowski. And two-thirds of it have been cut?

Mr. Senna. No, Atikon is still harvesting on the upper two drainages. And I am guessing, but you can ask Mr. Hirschberg this question, somewhere around 25 to 30 percent of the timber on the upper two drainages has been cut. None of the timber on the Lake Florence drainage has been cut.

Senator Murkowski. But we do agree there is about 7,000 acres left?

Mr. Senna. Total to be harvested?

Senator Murkowski. Yes.

Mr. Senna. No, there is a great deal more than that, Senator.

Senator Murkowski. I was led to believe that two-thirds was cut. Well, how much is cut and how much is left? I think we ought to know for the record.

Mr. Senna. I probably am not the best source for that. Mr. Hirschberg will be testifying.

Senator Murkowski. Would you care to enlighten us for the record, because I think we ought to know what we are talking about.

Mr. HIRSCHBERG. Mr. Chairman, my name is Rick Hirschberg. I am the President of Atikon Forest Products.

Maybe where the confusion is coming from is that the upper two drainages, which are two out of the three drainages, have had extensive harvesting activity. There is still considerable timber left to harvest there. In terms of acreage, I could not answer your question directly.

Senator MURKOWSKI. Okay, what I would like you to do for the record, is to tell us how much timber is remaining, because you had 23,000 acres initially, and you have been in there so long and you have cut so much, so there is so much left. Is that a reasonable statement?

Mr. HIRSCHBERG. Yes.

Senator MURKOWSKI. Okay. And what we are asking for is timber standing.

Mr. HIRSCHBERG. In terms of the original ownership, I could give it to you in a percentage. I would say approximately 70 to 75 percent of the timber is left, including Lake Florence.

Senator MURKOWSKI. So the sensitive timber in the Lake Florence area is in the lower quarter or thereabouts?

Mr. SENNA. Roughly on the lower 6,000 to 7,000 acres of land, yes.

Senator MURKOWSKI. I am sure the staff would be interested in this, because I think, in reference to the question here, it is appropriate. Being neutral on the proposal before us obviously leads me to ask you if you would support or oppose a resolution that would give you some other consideration for this remaining timber in this area which is sensitive and has been generally discussed as the lower quarter of Lake Florence, and I want to make sure we describe it correctly. And my question is, is there a consideration that is conceivable which you would support?

Mr. SENNA. All right. Keep in mind, Senator, Shee Atika only has control over the surface interests. We do not have control over the trees on any of the drainages. We do not control the trees in any way at Cube Cove. We have been in discussions with the Forest Service in cooperating with their efforts to acquire our interests in the surface at Lake Florence.

Simultaneously therewith, the Forest Service has been negotiating with Atikon for the acquisition of Atikon's trees at Lake Florence, which, if accomplished, would restore both the trees and the surface at Lake Florence to the National Monument.

With respect to the upper two drainages, which we know are also desired by the Forest Service and the conservationists, once Atikon completes its logging on the upper two drainages. And we have indicated to the Forest Service a willingness to enter into discussions as to how our interests on the upper two drainages might ultimately be restored to the National Monument once Atikon completes its logging on the upper two drainages.

Senator MURKOWSKI. So that we understand each other, there is no proposed exchange on the upper two drainages, that is going to be logged?

Mr. SENNA. That is correct.

Senator MURKOWSKI. And we do not know how much in acres that consisted of?

Mr. **Senna**. Well, the upper two drainages comprise in total somewhere around 17,000, and probably there may be 13,000 to 14,000 acres of timber still standing there.

Senator **Murkowski**. Because the Committee is somewhat confused; the Committee's figures indicate that there were originally 22,000 or 23,000 acres to be cut.

Mr. **Senna**. That is correct.

Senator **Murkowski**. And that approximately two-thirds have been cut, and about one-third was left in the original Shee Atika selection. So you are going to clean up the record for us, and we are going to get together on those figures.

Mr. **Senna**. Okay.

Senator **Murkowski**. But to go down to the lower area, which is of concern to the Committee from the standpoint of some kind of an exchange, I still am a little foggy on whether you are receptive to some kind of consideration or you are working with the Forest Service to achieve it, or it is beyond the realm of possibility that you would even consider it.

Mr. **Senna**. No, we are definitely receptive to the Forest Service, and we are working on it. And, as Mr. Morrison indicated earlier, I think we are quite close.

Senator **Murkowski**. And that is the sensitive area?

Mr. **Senna**. That is the sensitive area, the lower roughly one-third.

[Subsequent to the hearing Mr. Senna submitted the following:]

SHEE ATIKÁ
INCORPORATED

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July 10, 1990

The Honorable J. Bennett Johnston
Chairman, Committee on Energy and
  Natural Resources
364 Dirksen Senate Office Building
Washington, D.C. 20510

RE: S2273

Dear Chairman Johnston:

Sealaska Corporation submitted testimony at the hearings on S.2273 on June 28, 1990, in which Sealaska attributed an aggregate of $14 to $15 million of value to its subsurface interest at Katlian Bay, Alice and Charcoal Islands and Cube Cove, without submitting any supporting documentation. So far as we know, nobody seriously believes that there is intrinsic economic value, i.e., minerals, etc., in these interests. The Forest Service values non-mineralized subsurface at $3.00 per acre. This is certainly consistent with what we have been able to determine.

Shee Atika submitted to the Forest Service on July 5, 1990, written confirmation of a proposal for the exchange of Shee Atika's surface estate at the Lake Florence drainage. This proposal includes most of the subsurface estates valued by Sealaska, and therefore we wish the record to be clear on our view of the values involved. A copy of my letter of July 5 confirming the proposal is attached. Our reason for insisting on acquiring the subsurface on the upper two drainages at Cube Cove is to facilitate an exchange with the government of both our surface interest and the acquired subsurface interest at a later date while giving Shee Atika and Atikon the protections they need in the interim. I request that this letter and the attached letter to the Forest Service be included as part of the hearing record on S.2273.

Again, thank you for the opportunity to share our views with you.

Yours very truly,

James P. Senna, President
and Chief Executive Officer

SHEE ATIKA
INCORPORATED

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July 5, 1990

Mr. Gary Morrison
Chatham Area Supervisor
United States Forest Service
204 Siginaka Way
Sitka, AK 99835

RE: Cube Cove Land Exchange

Dear Mr. Morrison:

This will recap our various discussions concerning the desire of the Forest Service (and conservationist groups) to acquire Shee Atika's holdings at Cube Cove on Admiralty Island.

Shee Atika owns the surface interest in three drainage areas, Lake Kathleen drainage, Ward Creek drainage and Lake Florence drainage, comprising approximately 23,000 acres in total. The timber is owned by Atikon Forest Products, Inc., Sealaska Corporation owns the subsurface interests.

Shee Atika is satisfied with its holdings at Cube Cove which was its major land selection under the Alaska Native Claims Settlement Act (ANCSA). But in response to the public interest, Shee Atika is willing to work with the Forest Service to meet the goal of restoring the property to the National Monument. Any sale of our interests must be at a value Shee Atika considers to be fair. Recognizing that Congressional action will be required, we expect the Forest Service and other interested parties to carry the burden with respect to such action.

Shee Atika has two concerns that are more important to it than effecting any sale or trade of its holdings at Cube Cove, namely (i) to prevent any threat whatsoever to be posed with respect to Atikon's logging operations at Cube Cove, and (ii) to prevent Shee Atika's long term interest in this property to be encumbered in any way. If we see anything being done by any party that is a threat in either respect, we will withdraw all offers and abandon the bargaining table. Shee Atika considers any proposal that would prematurely grant the U.S. Government any interest, present or future, contingent or otherwise, in any subsurface interest at Cube Cove prior to actual conveyance of the surface interest to be such a threat.

So long as we do not feel so threatened, we are willing to consider selling or trading our interests. As we have discussed, the practicalities seem to be that conveyance should be in two parts, part one being the Lake Florence drainage and part two being the other two drainages. Our finalization of part one is conditioned on successful completion by the Forest Service of the acquisition from Atikon of the stumpage at Lake Florence, and part two is conditioned on the approval of Atikon if Atikon has not completed its logging when Shee Atika and the Forest Service reach agreement.

Our asking price for our Lake Florence surface interest, based on 6,335 acres, is $5,702,000 cash plus all of the subsurface interest at Charcoal/Alice Islands, Katlian Bay and the upper two drainages at Cube Cove. The Katlian and Charcoal/Alice subsurface interests are described in S2273. In addition, a provision must be included whereby any sale or exchange would not subject Shee Atika to any taxable gain.

We recognize that the government does not own these subsurface interests, but that they may be acquired in a trade for the Greens Creek property. We would not consider an acquisition of subsurface by the Government at Alice/Charcoal and Katlian to be threatening to our interests. However, we would consider anything other than an acquisition by the government of the Lake Florence and Ward Creek subsurface and a simultaneous reconveyance to Shee Atika to be a threat as described above.

The consideration we are asking is based on a fair market appraisal by an independent MAI appraiser and meets the "value for value" test.

Shee Atika is willing to enter into discussions regarding part two at anytime the Forest Service deems it practical to do so. Once part one is successfully completed, the subsurface acquired by Shee Atika in part one would be included in part two discussions.

Of course, any final agreement is subject to the approval of Shee Atika's Board of Directors. Please let me know if you have any questions. We appreciate all your efforts over the past several months and we look forward to reaching an early conclusion.

Sincerely,

James P. Senna
President and
Chief Executive Officer

Senator MURKOWSKI. Mr. Hirschberg.

STATEMENT OF RICHARD HIRSCHBERG, PRESIDENT, ATIKON FOREST PRODUCTS, INC.

Mr. HIRSCHBERG. Mr. Chairman, members of the Committee. My name is Rick Hirschberg. I am the President of Atikon Forest Products. I am here today representing John Sturgeon, who is the Chairman of the Board for Atikon Forest Products.

On behalf of Atikon I am submitting this testimony in support of S. 2273.

Senator MURKOWSKI. Can you tell us why you are supportive of it, as opposed to being neutral, in comparison to your colleague?

Mr. HIRSCHBERG. Pardon? I did not catch your question.

Senator MURKOWSKI. Be sure and tell us why you are supportive of it, as compared to being neutral, as your colleague is, because you both have kind of a quasi-interest. One would assume it would be parallel, but it evidently is not.

Go ahead.

Mr. HIRSCHBERG. Thank you.

In 1987 Shee Atika incorporated, an Alaska native corporation, and Koncor Forest Products, an Alaska joint venture, contributed the capital necessary to form Atikon, and purchased from Shee Atika timber located on Admiralty Island, including that located in the Lake Florence drainage.

The Lake Florence drainage constitutes about 6,000 acres, and contains about one-third of the timber acquired by Atikon. Atikon has in place all permits required to begin timber harvesting operations in the Lake Florence drainage, and has developed the necessary infrastructure to harvest this timber. Our current business plan provides for beginning the harvest of this timber in October of 1990.

If a delay of this harvesting plan is brought about, it would cause serious operational problems for Atikon.

During the past several months Atikon has been approached about the possibility of avoiding of harvesting the timber in Lake Florence. The suggestion was made that Atikon consider an exchange as a way to preserve the Lake Florence drainage. Atikon has indicated its willingness to consider an exchange as long as it is assured that it will not be deprived of the value of its investment in the Lake Florence drainage, or be delayed in its harvesting plans.

Any exchange must be on an equal value basis, and must be accomplished in a manner that does not disadvantage Atikon, or cause it to incur additional costs or burdens. By exchanging timber in the Lake Florence drainage, Atikon would be foregoing a harvest of high-quality timber, and it must receive in exchange timber of similar quality.

Over the course of the last few months, Atikon and the Forest Service have identified possible areas owned by the United States in the Tongass National Forest that might provide Atikon with a value equal to what it would be foregoing by exchanging the Lake Florence drainage. Recent discussions have focused on two potential areas, Tuxecan Island and the west side of Kosciusko Island.

These areas appear to have potential value to compensate Atikon adequately for the timber at Lake Florence.

It took Atikon and the Forest Service approximately two months, at considerable expense to Atikon, to identify these areas Negotiating and drafting a final exchange agreement, which will then require congressional ratification, will take additional time and effort.

In our view, it would be unrealistic at this point to expect Atikon to begin the process anew by exploring alternative lands. If there is continued support for the concept of an exchange by the Forest Service with Atikon for the timber harvest for the timber in Lake Florence, Atikon and the Forest Service are prepared to initiate appraisals to determine specific lands at Tuxecan Island and Kosciusko Island that are of equal value to Atikon's interest in the timber in the Lake Florence drainage.

Upon identification of these specific lands, we expect a formal exchange agreement between Atikon and the Forest Service can be negotiated quickly. Separate exchange agreements may be necessary to acquire Shee Atika's interest in the surface estate, and Sealaska's interest in the subsurface estate of the Lake Florence drainage.

Since any executed agreement will ultimately require congressional ratification, it is essential at this time in the process to provide the needed encouragement to the Forest Service, Atikon, Shee Atika, Sealaska, and others to make negotiations their highest priority. With such encouragement, Atikon is willing to accept this challenge, in cooperation with the other interested parties.

We would like to emphasize at this point, however, that any set of exchange proposals that does not include Atikon's interest in the timber in the Lake Florence drainage would be of serious concern to Atikon. An exchange at the subsurface at Cube Cove could impact Atikon's interest, unless there is a simultaneous exchange of Atikon's interest in the Lake Florence drainage. Such a concern has already been acknowledged by the Forest Service in letters to Sealaska.

And finally, Atikon must be indemnified against any damages that it may incur from any claims or delays that arise out of a delay in its harvest as a result of any exchange involving the Cube Cove subsurface.

In closing, unless Congress ratifies an exchange this year, Atikon intends to proceed with its plan to harvest timber in the Lake Florence drainage. Atikon has demonstrated its commitment as a steward of the land and as an environmentally sensitive company that prides itself on working with others to protect the environment. We are willing to cooperate with the Forest Service and others to help restore the Lake Florence drainage to the National Monument, as long as Atikon is not deprive of the value of its investment in the timber rights in those lands, or is not exposed to risks of litigation.

We look forward to other parties contributing towards these results.

Mr. Chairman, thank you for the opportunity to provide this testimony.

[The prepared statement of Mr. Sturgeon follows:]

Testimony of John Sturgeon,
Chairman of the Board of Atikon Forest Products, Inc.
Before the
Subcommittee on Public Lands, National Parks and Forests,
Senate Energy and Natural Resources Committee,
June 28, 1990

Mr. Chairman and distinguished members of the Subcommittee, my name is John Sturgeon. I am Chairman of the Board of Atikon Forest Products, Inc., which is a company engaged in the harvesting of timber and is owned and controlled exclusively by Alaska Native Corporations. I am also President of Koncor Forest Products Company, a joint venture of Native Village Corporations and shareholder of Atikon. On behalf of Atikon, I am submitting this testimony in support of S. 2273.

In 1987, Shee Atika, Inc., an Alaska Native Corporation, and Koncor Forest Products, an Alaska Joint Venture first established in 1977 and owned and controlled solely by four Alaska Native Village Corporations (Chenega Native Corporation, Natives of Kodiak, Ouzinkie Native Corporation, and Yak-Tat Kwaan), contributed the capital necessary to form Atikon (49% from Shee Atika and 51% from Koncor) and purchased from Shee Atika timber located on Admiralty Island, including that located in the Lake Florence drainage.

The Lake Florence drainage constitutes approximately 6,000 acres and contains approximately one third of the timber acquired by Atikon. The Lake Florence drainage has been identified by the Forest Service, the State of Alaska and conservation groups as an important recreation resource with unique environmental values that should be restored to the Admiralty Island National Monument before the trees are cut.

Atikon has in place all permits required to begin timber harvesting operations in the Lake Florence drainage and has developed the necessary infrastructure to harvest this timber. Atikon's current business plan, which is part of a plan developed in 1987, provides that harvesting in the Lake Florence drainage will commence in October of this year. If harvesting is postponed, it will create serious operational problems for Atikon.

During the past several months, Atikon has been approached by various public and private entities and individuals requesting that Atikon explore opportunities for avoiding timber harvesting in the Lake Florence drainage. Atikon has received such requests from members of Congress, the State of Alaska, the United States Forest Service and several environmental organizations. Early on, the suggestion was made that Atikon consider an exchange as a way to preserve the Lake Florence drainage.

Atikon has indicated its willingness to consider an exchange, as long as it is assured that it will not be deprived of the value of its investment in the Lake Florence drainage or delayed in its harvest plans. Any exchange must be on an equal value basis, and it must be accomplished in a manner that does not disadvantage Atikon or cause it to incur additional costs or burdens. By exchanging timber in the Lake Florence drainage, Atikon would be foregoing a harvest of high quality timber, and it must receive in exchange timber of a similar quality. An exchange also must be negotiated and ratified by Congress quickly, since Atikon has intended for some time that it would begin harvesting timber in the Lake Florence drainage in October of 1990 as part of its balanced cutting of its Cube Cove holdings.

Over the course of the last few months and at the urging of the various interested parties, Atikon has engaged in discussions with the Forest Service concerning a possible exchange for Atikon's timber rights in the Lake Florence drainage. When Atikon first initiated discussions with the Forest Service, progress appeared slow. Recently, however, the parties have made remarkable progress in their discussions. We appreciate the commendable effort of the Forest Service.

Atikon and the Forest Service have identified possible areas owned by the United States in the Tongass National Forest that might provide Atikon with a value equal to what it would be foregoing by exchanging the Lake Florence drainage. Recent discussions have focused on two potential areas, Tuxecan Island and the west side of Kosciusko Island, that together appear to have sufficient high quality timber to satisfy Atikon's stated desire to obtain equal value for its interests in the timber in the Lake Florence drainage.

It took Atikon and the Forest Service approximately two months, at considerable expense to Atikon, to identify these areas that may contain lands that might be of equal value to the timber which Atikon would be exchanging in the Lake Florence drainage. Negotiating and drafting a final exchange agreement, which will then require Congressional ratification, will take additional time and effort. Because Atikon has an October 1990 commencement date for harvesting timber in the Lake Florence drainage, it would be unrealistic to expect Atikon at this time to begin the process anew by exploring other alternative lands.

We understand and appreciate the concerns expressed by various parties concerning the selection of Federal exchange lands. For example, the Alaska Loggers Association (ALA) has expressed concern that, as a result of possible land exchanges, there should not be a reduction in the allowable sale quantity on the Tongass. As a member of the ALA, Atikon supports this position. Atikon believes that there needs to be a reasonable accommodation of these and other concerns that may be raised by the proposed exchange.

If there is continued support for the concept of an exchange by which the Forest Service may acquire Atikon's timber interest in the Lake Florence drainage, Atikon and the Forest Service are prepared to initiate appraisals to determine specific lands at Tuxecan Island and Kosciusko Island that are of equal value to Atikon's interest in timber in the Lake Florence drainage. We expect that the appraisals for both Atikon's timber rights in the Lake Florence drainage and for the possible Federal exchange lands can be completed quickly. Atikon and the Forest Service would then have to reach an agreement on the specific exchange lands of equal value to Atikon's timber rights in the Lake Florence drainage.

Upon the identification of these specific lands, we expect that a formal exchange agreement between Atikon and the Forest Service can also be negotiated quickly. We are already in the preliminary stages of preparing such an agreement, which would have to be ratified by Congress. Separate exchange agreements may be necessary to acquire Shee Atika's interest in the surface estate and Sealaska's interest in the subsurface estate of the Lake Florence drainage.

Completion of the land exchange proposals will require a significant investment of time, energy and resources over the next few months. An exchange can be consummated only with considerable support from members of Congress and interested third parties. Since any executed exchange agreement will ultimately require Congressional ratification, it is essential at this time in the process to provide the needed encouragement to the Forest Service, Atikon, Shee Atika, Sealaska, and others to make these negotiations the highest priority and to make the requisite investments in that process, with the hope that continued negotiations will produce a set of exchange proposals that will allow the Forest Service to acquire these environmentally sensitive lands prior to initiation of timber harvesting. With such encouragement, Atikon is willing to accept this challenge in cooperation with the other interested parties.

We would like to emphasize, however, that any set of exchange proposals that does not include Atikon's interests in the timber in the Lake Florence drainage would be of serious concern to Atikon. An exchange of the subsurface at Cube Cove could impact Atikon's interests unless there is a simultaneous exchange of Atikon's interests in the Lake Florence drainage. Such a concern already has been acknowledged by the Forest Service in letters to Sealaska. Finally, Atikon must be indemnified against any damages that it may incur from any claims or delays that arise out of a delay in its harvest as a result of any exchange involving the Cube Cove subsurface.

In closing, unless Congress ratifies an exchange this year, Atikon intends to proceed with its plan to harvest timber in the Lake Florence drainage. Atikon has demonstrated its commitment as a steward of the land and as an environmentally sensitive company that prides itself on working with others to protect the environment. We are willing to cooperate with the Forest Service and others to help restore the Lake Florence drainage property to the National Monument, as long as Atikon is not deprived of the value of its investment in the timber rights in those lands or is not exposed to risks of litigation. We look forward to other parties contributing toward these results.

Mr. Chairman, thank you for the opportunity to provide this testimony to the Subcommittee.

Senator MURKOWSKI. Thank you for that statement.

The continued cutting of the balance of timber within the Cube Cove stand, does that go into primary manufacture, or does that go into export?

Mr. HIRSCHBERG. It is going into export.

Senator MURKOWSKI. Do you feel compelled or under any kind of an obligation if you are to select timber within a contract circle that is prohibited to be exported because it is under the primary manufacturing requirement of the Forest Service to be bound by primary manufacture in the selection of an exchange?

Mr. HIRSCHBERG. I guess the response to that would be having to do with the valuation processes used. We are looking for a value for value exchange. If there is a difference in valuation on exportable timber versus timber that has restrictions on exporting, that is something that would have to be considered in the valuation on both sides of the exchange.

Senator MURKOWSKI. I am getting into a tenuous area, and I recognize that there are different opinions, but it would seem that if we are going to talk about going into a timber circle or a cutting circle, or a contract expansion area, and some folks can export and some cannot, this may be a consideration, and I am not going to spend a lot of time on it. You are free to sell into the domestic market if you want to?

Mr. HIRSCHBERG. If that market existed, yes, we would be.

Senator MURKOWSKI. Well, there are sawmills and there are pulp mills and so forth, and they log and buy, so I assume your business is quite naturally and appropriate to sell to the highest market you can sell into. And if it is an export market, that is what you are going to sell into. And if it were a domestic market, you would sell into that. Is that a fair statement?

Mr. HIRSCHBERG. I think so, yes.

Senator MURKOWSKI. So the question here is simply one of doing comparisons, and if you are going to go into somebody else's contract expansion area, and they are prohibited from export because they are under contract to primary manufacture, that there would have to be an exception made to allow you to export or to be just a private timber swap or so forth.

But I think there are some reasons to at least try and compare apples and apples. And if you are going into an area that is, in effect, a LUD–II area, where you are getting an exchange out of that area, why then, obviously that is something else again. You make the rules as you go along in the exchange basis, which is pretty obvious.

Well, enough of that.

In 30 words or less, the reason that you are supportive and Mr. Senna is neutral on it would be? Since you both have an involvement in the timber, how would you interpret the difference between your position and his?

Mr. HIRSCHBERG. Well, I guess because Atikon directly represents the timber interests, whereas Shee Atika is a minority holder of Atikon and does not have the ability to directly and individually control the fate of the timber.

Senator MURKOWSKI. Okay, that is the timber that is still standing?

Mr. **Hirschberg**. All of the timber at Cube Cove, yes.

Senator **Murkowski**. But the timber was granted to Shee Atika initially?

Mr. **Hirschberg**. Yes.

Senator **Murkowski**. And they have transferred that?

Mr. **Hirschberg**. They sold it to Atikon.

Senator **Murkowski**. It would seem to me that you might be more inclined to be neutral and Mr. Senna might be more inclined to be supportive, but I am not going to argue your positions. So I will not presume to interpret your intentions, which of course are honorable in either regard.

Unless you want any clarification, I will call on our friend, Mr. Michael Matz, and a player in the process.

[Subsequent to the hearing Mr. Sturgeon submitted the following:]

ATIKON
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(907) 562-3335 FAX (907) 562-0599

July 11, 1990

90 JUL 16 11:19

Senator Dale Bumpers
Chairman
Subcommittee on Public Lands,
National Parks and Forests
Committee on Energy and Natural Resources
United States Senate
Senate Dirksen - Room 364
Washington, D.C. 20510-0401

Dear Senator Bumpers:

During Richard Hirschberg's testimony at the hearing on S. 2273 held by your Subcommittee on June 28, 1990, which included written testimony submitted by me, Senator Murkowski asked him several questions about the timber operations of Atikon Forest Products, Inc., in the Cube Cove area of Admiralty Island. I respectfully request that this letter, setting forth my responses to Senator Murkowski's questions be included as part of the hearing record on S. 2273.

Senator Murkowski's questions focused on the amount of timber harvesting that has occurred in the three drainages of Cube Cove. Of the 23,000 acres of timber acquired by Atikon from Shee Atika, Inc., approximately 6,000 acres are in the Lake Florence drainage. No logging has yet taken place in the Lake Florence drainage, but Atikon plans to initiate timber operations in the Lake Florence drainage in October 1990. Of the remaining 17,000 acres in the northern two drainages of Cube Cove, approximately 50% have been logged.

I hope that the information in this letter is helpful to the subcommittee. I appreciate the opportunity to submit this supplemental information for the record.

Sincerely,

John L. Sturgeon
Chairman of the Board
Atikon Forest Products, Inc.

JLS/mlm

cc: Senator J. Bennett Johnston
Senator Frank Murkowski

STATEMENT OF MIKE MATZ, WASHINGTON DIRECTOR, PUBLIC LANDS PROGRAM, SIERRA CLUB

Mr. MATZ. Thank you, Senator.

We appreciate the opportunity to testify today. I am glad that you are holding this hearing. I think it is important to air the concerns of all parties involved.

I have some written testimony here that I hope can be submitted for the record, and I will summarize because we are short on time.

I would like to begin by making a few comments about process.

Senator MURKOWSKI. I might add that I am going to be tough on time because we have got a vote in 15 minutes. So we are going to wind this hearing up.

Mr. MATZ. I promise not to take longer than my allotted five.

The process I think is important to take a look at here. We really feel that it is important to keep the Greens Creek/Cube Cove exchange separate from the larger issue of the Tongass reform. I think that if we try and connect the two, it complicates it in a fashion that may end up delaying either of them or both of them further. And we want to try and avoid that. Even worse I think, there is the possibility, Senator, that the whole shebang could be jeopardized, both the Greens Creek/Cube Cove exchange, and Tongass reform legislation.

Senator MURKOWSKI. How do you perceive that?

Mr. MATZ. Well, I think historically that is the case.

Senator MURKOWSKI. You mean that we would not do anything on anything? Yes, that is possible.

Mr. MATZ. So I think it is important to keep them separate, and I hope we can.

Before I actually delve into the details of our position, let me talk a little bit about the Sierra Club history and its involvement.

Senator MURKOWSKI. Well, not too much, because we can see. So go ahead.

Mr. MATZ. Senator, it started in 1932, but more recently, we worked in 1986 to try and affect a land exchange, which did pass the House, but did not pass the Senate. The crux of that exchange was that Sealaska and Shee Atika would give up their surface and subsurface at Cube Cove for acreage around the Greens Creek exchange. Sealaska would control 60 percent and Shee Atika would control 40 percent. And they would lease 15,000 acres around the Greens Creek Mine.

Unfortunately, that did not pass because of other interests that became involved. But I think that throughout that, and since then, the Sierra Club's position on this has become abundantly clear. We do not oppose Sealaska getting acreage around the Greens Creek Mine for the expansion of that mine as long as our objectives in trying to consolidate land ownership patterns on Admiralty Island are met.

That is one of the two objectives we have. The other is to ensure that whatever exchange goes through is in the public interest. And I think that you share that too, as well.

Unfortunately, Senator, our objectives are not met by your legislation, S. 2273. We oppose it because it does not include any of the Cube Cove acres, none of the subsurface or surface in that area. In addition, I think that we have some concerns about the equity of that exchange. The value equalization payment that Sealaska would make to the government is 10 percent of their 5 percent of the mine. So, in effect it is only a half of a percent of the total income from that mine.

We think that that might need to be improved a little bit.

I think though, Senator, the actual framework for enacting some sort of exchange is there with your proposal. And I think that all parties involved in this are involved in good faith negotiations to try and resolve it. That progress is reflected in the Forest Service proposal that is embodied in the June 8th letter from Gary Morrison to Bob Loescher. And while progress is made, there are some concerns we have with that particular proposal that we hope can be changed before any final determination is made or any exchange is put together.

Those concerns center around, again, the same two things, in that our objectives are not met. The 23,000 acres of surface and subsurface at Cube Cove are not included in that. There is an option for the Forest Service to include the 23,000 acres of subsurface that Sealaska owns, contingent upon getting the surface from Shee Atika. I think it needs to be included as part of the entire package.

The other problem we have with that is that the value equalization payment remains constant at a half a percent. As far as the Lake Florence negotiations go, I do not think it will come as any surprise to anybody that the Sierra Club really values the Lake Florence area as the last remaining untouched drainage in that 23,000 acres of Cube Cove lands on Admiralty. And we very much would like to see that area protected and included in any part of it.

There is one concern that I would like to raise in that context, and it is an issue that you touched on earlier, the so-called contingency areas from which Atikon has apparently selected some suitable alternative timber.

Senator MURKOWSKI. Identified, I think, might be a better word.

Mr. MATZ. Identified.

At any rate, I guess, Senator, that sort of underscores our concern about the contracts, in that it appears as though it gives KPC some feeling of ownership of that forest. And it is unfortunately a National forest. Moreover, that contingency area or circle area is not even actually part of their contract area. I think that it will not hurt their timber base at all, and I think that the Forest Service can find alternative timber in the event that it would.

So I do not know that that should be a concern in limiting Atikon access to that timber.

The second thing is that we really feel that any timber that is selected for Atikon to replace the timber at Lake Florence should not come out of LUD II or LUD I areas.

And finally, I think in my written testimony there are several suggestions that I make which I think members might want to take a look at in order to see if there is some way to configure a deal. And we really do believe that there can be some deal configured yet this year that can go separate of the Tongass legislation and be enacted. Thank you.

[The prepared statement of Mr. Matz follows:]

SIERRA
CLUB

408 C Street, N.E. Washington, D.C. 20002 202·547·1141

TESTIMONY OF MIKE MATZ
WASHINGTON DIRECTOR, PUBLIC LANDS PROGRAM
OF THE SIERRA CLUB

COMMITTEE ON ENERGY AND NATURAL RESOURCES
REGARDING S. 2273 AND RELATED ISSUES
CONCERNING ADMIRALTY ISLAND NATIONAL MONUMENT

JULY 28, 1990

"When we try to pick out anything by itself, we find it hitched to everything else in the universe." *John Muir*
National Headquarters: 730 Polk Street, San Francisco, California 94109 (415) 776-2211

PRINTED ON RECYLCLED PAPER

Mr. Chairman, members of the committee, I am Mike Matz, Washington Director of the Public Lands Program for the Sierra Club. I want to thank you for the opportunity to present our views today on S. 2273, on the Forest Service outline of a Greens Creek Exchange with Sealaska, and on a proposal to exchange surface lands in the Lake Florence drainage of Admiralty Island.

I want to express our appreciation that the committee is holding this hearing on S. 2273 and on issues related to this controversial and complicated land exchange proposal. The Sierra Club believes it is imperative to address this issue separately from the larger issue of Tongass Timber Reform. We believe management reform on the Tongass National Forest is of paramount importance and should not be confounded by this matter. If the two issues are linked, there is the undesirable possibility for further delay in enacting the Tongass legislation. There is even a worse possibility that the entire Tongass reform package could be jeopardized.

Mr. Chairman, the Sierra Club urges you to proceed with Greens Creek Exchange legislation independent of the conference deliberations of the Tongass legislation. We sincerely believe that is the most expedient way to see both are successfully approved.

Before I begin my detailed statement, let me say that our organization is committed to seeing successful enactment of a Greens Creek-Cube Cove Exchange. We do not oppose an exchange which gives subsurface rights to Sealaska surrounding the Greens Creek silver mine, as long as our objectives our met. We believe a settlement can be configured to consummate such an exchange.

HISTORY OF SIERRA CLUB INVOLVEMENT

The Sierra Club is a national environmental organization with 575,000 members and active chapters throughout the country, including an Alaska Chapter. I think it is important to explain our long history of involvement on this issue, which really dates back the the turn of the century when John Muir, one of the founders of the Sierra Club, traveled to Southeast Alaska and described its incomparable beauty.

Our involvement in protecting Admiralty Island dates to 1932 when the Sierra Club advocated that the island be established as a national park or wildlife refuge. Notning tangible resulted at the time, and the Forest Service pursued an agenda of offering a multi-billion board foot, 50-year timber sale, first to Georgia Pacific Corporation, then to St. Regis Company and finally to U.S. Plywood-Champion Corporation in 1968.

Also in 1968 the Sierra Club revitalized its interest in protecting Admiralty Island when Dr. Edgar Wayburn, chairman of the Sierra Club board of directors at the time, asked the Forest Service to study Admiralty for wilderness status. Dr. Wayburn noted the outstanding old growth, the high density of brown bears, and the spectacular vistas of the large island. The Forest Service, however, proceeded with the long-term timber contracts for Admiralty, during which time our organization pursued litigation against the Forest Service until Champion Corporation cancelled the contract.

In 1978, as a result of the urgings of the Sierra Club and other environmental organizations, President Carter withdrew Admiralty as a national monument. In 1980, Congress established the 900,000-acre Admiralty Island National Monument and designated it as wilderness.

The victory was not without its bitter pills. Also as a result of the Alaska Lands Act, Congress gave to Shee Atika Village Corporation and to Sealaska Native Regional Corporation the rights to 23,000 acres of surface and subsurface acreage respectively in the Cube Cove area of Admiralty Island. The final bill also permitted mineral exploration and proving of mining claims within the monument boundaries.

Since that time, the Sierra Club has fought both legislative and legal battles to ensure the integrity of Admiralty Island would remain intact. We have worked to ensure that development of the Greens Creek mine occurs in a manner compatible with the purposes of the national monument. We have litigated to prevent logging of privately held lands, arguing that Congress intended the conveyed land to be used as trading stock for lands off Admiralty Island. We have become deeply involved in attempts to solve this land consolidation problem legislatively over the past five years.

On the legislative front there was very nearly a solution achieved in 1986. Legislation passed the House but not the Senate. The bill would have leased for 25 years 15,000 acres surrounding the Greens Creek mine. Of that 15,000 acres 60% would have been controlled by Sealaska and 40% by Shee Atika. In return for the 15,000 acres, Sealaska and Shee Atika would have relinquished title to the subsurface and surface estate at Cube Cove.

Needless to say, the Sierra Club has a vested interest in this issue, having expended much effort to achieve the protection Admiralty Island so richly deserves.

SIERRA CLUB OBJECTIVES

Efforts to forge a workable compromise to protect valuable old growth on Admiralty have been stymied over the years by one recalcitrant party or another or by parties who wished to see their agenda attached to any kind of comprehensive settlement. A very disappointing result, from the standpoint of the Sierra Club, is that approximately 17,000 acres of the 23,000-acre inholding has been clearcut.

Our objectives for any land exchange involving acreage on Admiralty Island around the now-operating Greens Creek silver mine are two-fold:

- To consolidate land ownership on Admiralty Island which protects pristine forest from logging.
- To consummate an exchange for lands on Admiralty Island that is in the public interest.

Obviously the first objective is hurt seriously by the fact that clearcutting has occurred on vast tracts of the Kathleen Lake and Ward Creek drainages of the Cube Cove lands. Our disappointment is great in regard to the lost opportunity to protect an entire island as a unique and valuable wilderness.

ANALYSIS OF S. 2273

S. 2273 accomplishes neither of our objectives. The Sierra Club opposes S. 2273 for the following reasons:

> The exchange as embodied in S. 2273 does nothing to afford a comprehensive solution to the land ownership problems on Admiralty Island. Specifically, another inholding of nearly 19,000 acres is created on Admiralty Island, while the existing inholding at Cube Cove of 23,000 acres remains.
>
> The lands that are included for exchange by Sealaska Corporation of are little or no value, except for the surface lands at Nutkwa Lagoon. The lands to be received by Sealaska, on the other hand, are of uncertain but potentially very high value.
>
> The 10% "value equalization payment" of net income deceptively appears to be the aspect of the exchange that provides equity. However, the terms of Sealaska's lease agreement with the Greens Creek Joint Venture provides Sealaska with a 5% royalty. The 10%

> value equalization payment is on that royalty, making the actual contribution into any acquisition fund to be .5% of the total income from the lands exchanged to Sealaska Corporation.

A framework likely exists within S. 2273 for successfully effecting an exchange. We are very encouraged that all involved parties -- including those in the past who were recalcitrant -- are now seriously involved in good faith negotiations to achieve a comprehensive land settlement that is in accordance with every parties' needs and objectives.

ANALYSIS OF PROPOSAL OUTLINED IN FOREST SERVICE LETTER OF JUNE 8

The proposal outlined in the letter from Gary Morrison, US Forest Service district supervisor, to Bob Loescher, Sealaska Corporation executive vice president, reflects progress being made. Unfortunately the proposal still falls short and further complicates the whole deal. Our concerns in regard to this proposal center on the following items:

> The exchange as embodied in the Forest Service letter still would not consummate an exchange for the subsurface and surface of the Cube Cove lands. In this proposal, the Forest Service has an option to obtain Sealaska's 23,000 acres of subsurface if Shee Atika's surface is obtained "at some future time."
>
> Nothing regarding the surface acreage at Cube Cove, or transfer of the surface acreage, is addressed in the Forest Service proposal. There is precious little time if we are to protect the last 6,000 acres from logging. Shee Atika, and its partner Koncor, have plans to log the Lake Florence drainage starting October 1 of this year.
>
> The Forest Service proposal does not address the issue of equity. In fact, the inclusion of additional subsurface acreage only serves to cloud the equity issue. Sealaska and the Forest Service are attempting to match subsurface acre for subsurface acre despite the potential disparity in value. The value equalization payment remains constant at .5% in this proposal.

LAKE FLORENCE EXCHANGE

It should be no secret to anyone that the Sierra Club covets protection for the last remaining unlogged drainage of the Cube Cove lands. Lake Florence remains untouched at this point, unlike the clearcut Kathleen Lake and Ward Creek drainages to the north.

We contend that any exchange should necessarily include all the surface estate at Cube Cove, but particularly the 6,000 acres at Lake Florence.

Without the inclusion of those lands, the exchange should not go forward. It is our understanding that the Forest Service and Atikon have identified what possibly could be suitable alternative timber to be used in an exchange for the timber now held at Lake Florence. Less clear to us is the status of negotiations with Shee Atika for the surface estate, for which we know of no officially pending or accepted agreement.

Two issues need to be highlighted in regard to the Lake Florence facet of the overall Greens Creek-Cube Cove exchange.

First, the identification of suitable alternative timber on the part of Atikon apparently involves timber for which Ketchikan Pulp Company claims is its own. Mr. Chairman, this epitomizes the exact problem we believe calls for the termination of the 50-year contracts. Somehow these timber companies have developed an attitude that the forest is theirs -- even those areas which are not part of their delineated contract area. The KPC contract, to our knowledge, does not include so-called "contingency" areas, and even if it did, the overall timber base for KPC would not be affected because the Forest Service could substitute alternative timber. Moreover, the notion on the part of KPC that instead of the identified suitable alternative timber, Atikon should be required to select alternative timber from Land Use Designation I and II areas is absolutely absurd. It is this type of approach that has underscored the need to reform management practices and permanently protect land from commercial logging.

Secondly, as I mentioned earlier in my testimony, the value of the Cube Cove acreage has diminished significantly with the logging of 17,000 acres. The actual impact of the logging in these important drainages extends to a much larger area, approximately 1/9th of the entire monument. In addition, the estimated value of the Cube Cove surface lands has fluctuated wildly over the past decade, from a high of $277 million in 1981 for all 23,000 acres, to $70 million in 1986, to $10.2 million in 1987 when Shee Atika sold its timber at a loss to itself and its new partner for commercial logging. The value today for the remaining 6,000 acres is estimated by some at $70 million, ironically the same value for the entire 23,000 acres only four years ago. I think this points to the need for an objective appraisal of the timber at Lake Florence. Certainly there is the public interest in protecting these lands which needs to be factored in and which is difficult to judge. But there is a price where even the Sierra Club would balk. The timber obtained elsewhere would be logged as well; we want to ensure that no more timber than is fair would be logged, or that a cash settlement is not unreasonable.

CONCLUSION

The Sierra Club genuinely hopes a Greens Creek-Cube Cove Exchange can be consummated. In doing so the exchange must accomplish the objectives of consolidating land ownership on Admiralty Island and of providing a proper return to the public. In achieving this, the Sierra Club urges serious consideration be given to the following points:

> Any exchange should include all surface and subsurface at Cube Cove. There should be no arrangement that includes subsurface contigent upon the future inclusion of surface. Both must be included at the same time and the exchange needs to be consummated.
>
> Rather than conveying to Sealaska title to the 19,000 acres of land surrounding the existing mine, the federal government should lease to Sealaska land surrounding the mine for a period of 25 years, at which time the land would revert back into the national monument. This approach was embodied in legislation five years ago which passed the House but not the Senate, and which was acceptable to Sealaska.
>
> Requirements for reclamation of the mine should be incorporated into any land exchange, as should requirements that the mining operation be conducted in a manner consistent with the purposes of the monument and consistent with any other applicable law, including the Clean Water Act, the Coastal Zone Management Act, the Resource Conservation and Recovery Act, and other environmental statutes.
>
> Sealaska should include more surface acreage with actual value, for instance, by expanding the size of the Nutkwa Lagoon acreage. Also as part of the legislation to complete this exchange, the Mansfield Peninsula should be added to the national monument, an addition supported by the Borough of Juneau and the Southeast Conference.
>
> A royalty payment of 12.5% should be received on the value of the minerals extracted (not on net or gross income) from the entire 19,000 acres. The mine, after all, is within the boundaries of Admiralty Island National Monument and should receive different dispensation that mines that occur on unreserved public land.

Again, let me reiterate our sincere belief that a framework for achieveing this exchange exists, all parties are participating in good faith negotiations, and at this point the whole matter appears to be on a distinct and separate course. In other words, all ingredients for a successful settlement are there. I thank you for giving us the opportunity to testify.

Senator MURKOWSKI. Thank you, Mr. Matz.

I would make just a few comments. I think the record will show that we lost an opportunity many, many months ago to effect an exchange that would have resulted in no logging in the Cube Cove area. And you will recall that when Shee Atika was given that particular land, why, they were under litigation for about six years from National environmental groups, and finally they prevailed. The alternative to that was to try and work some kind of a responsible exchange. And my feeling was that the sanctity of Admiralty Island was the highest and best of all the interests, and that should prevail. And we very well could have addressed a LUD II or something in an area that was closed, but indeed had a lesser priority than maintaining the sanctity of Admiralty Island.

I worked to try and bring that about, and several of the National environmental groups were in Alaska at the time. They were up on the North Slope. We had hoped that they would come down. Unfortunately, they did not seem to want to pursue the idea of giving up anything that was in a restricted area that had a lower priority, which I hoped that logic would prevail, maintaining the sanctity of Admiralty.

I find your statement a little discouraging that you will approve it as long as it does not come out of a LUD-II area, but comes out of either somebody's contract area or circle, or some such thing. I think we heard from the Forest Service that their obligation under contract to provide additional timber if it is not available under the terms of the existing contract. Those are contracts made with the Federal Government, and obviously the Federal Government has a liability to perform.

But, nevertheless, I would encourage the environmental community, and specifically the Sierra Club, to look at what the priority is. Because unless there is an identified priority, and if indeed it is trying to maintain the lower drainage area of Lake Florence, then I think that is what we all should work for. And if it means putting a lesser area into the hands of our friends, I think we ought to consider that.

Because it is fair to say that there was another Native Corporation on Admiralty Island, Good Sunu, that saw fit to go down very early and get off Admiralty, and go down to Prince of Wales. And they do not want any logging on Admiralty, but they are happy to take the generation of revenues that they get from their logging on Prince of Wales. And I think we have to make sure that everybody understands how this process works.

Thank you very much, Mr. Matz.

Mr. Pihl, I do not know how you got last on the list, but I hope you are not trying to catch an airplane at 5:00.

STATEMENT OF MARTIN R. PIHL, PRESIDENT AND GENERAL MANAGER, KETCHIKAN PULP CO.

Mr. PIHL. No, I am not.

Mr. Chairman and members of the Committee, my name is Martin Pihl. I am President and General Manager of Ketchikan Pulp Company. On behalf of our thousand direct employees I want to thank you for this opportunity to testify. I will summarize what I have already summarized.

My testimony deals solely with section 501(b), the Lake Florence timber trade section, as recently passed by the Senate, and as we see it developing.

I am relieved today to hear that the Forest Service recognizes our contractual rights on the two areas under serious consideration for the Lake Florence exchange, and to hear that they will complete the necessary analysis for KPC, called the life of sale plan, to ensure the contract volume can be met. We urge that this is done immediately so all concerned, including Ketchikan Pulp, can no the effects of the proposed exchange.

I want to emphasize that we are not here trying to be obstructionist to any exchange—or this exchange. We have two principal concerns. The first, as you, Senator Murkowski, stated in opening remarks, we believe the Forest Service should be directed to look first at areas of the Tongass that will not impact the near-term harvest capability in an exchange.

The Forest Service is quite capable of finding, in LUD I and II areas, timber that would make sense. This should be done immediately and a report given to the Committee. There is a compelling need to protect the ASQ. An adequate timber base must be maintained so ongoing operations can survive.

Secondly, a concern is that the exchange should not harm existing contract rights of either long-term or short-term contracts. The Forest Service must be directed to take seriously the potential impacts on contract rights. This will not occur out of LUD I or II areas. There are LUD III or IV areas that could be considered, and we have an attachment to our testimony of these areas.

As we hopefully near resolution of the Tongass legislation this year, and we applaud and support the efforts of this Committee in that regard, we think it is important to remember that timbering represents 25 percent of the economy of Southeast Alaska, and that our operators on the Tongass need to survive if we are going to maintain stability of our economic base.

Someone has to develop positive stumpage to pay the bill, if you will, to support the Forest Service budget. We are proud that KPC has been that operator in the last several years. In calendar year 1989, our stumpage charges were $18 million, about 90 percent of the stumpage charges for the area, on about 50 percent of the volume. This resulted, in the last report, the stumpage return being $2.19 per thousand of Forest Service budget in our area.

In 1990, to date, our stumpage averages $111 for the first five months. And we would project, if we had the timber to harvest, about $24 million in stumpage.

There are dramatic impacts on the timber base in our operating area which have already occurred under ANILCA, and now under the Senate version of H.R. 987, that must be recognized. They are in our testimony, but to summarize, there have been Alaska native selections of 319,000 acres, state selections of 60,000, wilderness and roadless of 2.64 million, and in the Senate bill, 204,000—about 3 million acres. And that represents about 11 billion board feet of timber potential.

The basic thrust is that, before an exchange involving our contingency area occurs, the Forest Service first should complete an analysis. For KPC, it is called a life of sale plan, that demonstrates adequate timber is available to meet the contract requirements. This process was followed, for example, in 1980, during deliberations on the ANILCA. It should be followed now if the exchange involves areas in our contract.

We do not view that this requirement is driving the planning process any more than the volume commitment to small business programs, for example. It is needed as part of long-range planning. And we think it is possible, if all the parties work together, to do this.

And we want to continue to contribute, as we do in our operations, to substantial time and money expenditures that we make in fish enhancement opportunities as we are out in the forest, including construction of fish passes.

We thank you for this opportunity to testify. We know and trust you will keep the people of Southeast Alaska in mind as you complete this legislation.

I would be happy to answer any questions.

[The prepared statement of Mr. Pihl follows:]

TESTIMONY BY

Martin R. Pihl
President and General Manager

Ketchikan Pulp Company

BEFORE

The Subcommittee on Public Lands, National Parks
and Forests of the Energy and
Natural Resources Committee
United States Senate

June 28, 1990

Mr. Chairman and members of the Committee, thank you for this opportunity to testify. My name is Martin R. Pihl. I am President and General Manager of Ketchikan Pulp Company (KPC) and have been a resident of Ketchikan and an employee of KPC for 28 years. Accompanying me today is Owen Graham, our Timber Division Manager, to assist in answering any questions you might have that are not covered in my prepared remarks.

My testimony today relates solely to Section 501(b) of H. R. 987, which directs the Secretary of Agriculture to engage in expedited negotiations with Shee Atika, Inc., Atikon, Inc. and Sealaska for "independent voluntary exchange agreements" by which the federal government would acquire all surface interests in the Lake Florence, Lake Kathleen, and Wards Creek drainages of Admiralty Island, with the "first priority" in such negotiations being acquisition of the Lake Florence Drainage. Presumably, in exchange for these surface interests the current fee owners would receive certain property rights elsewhere on the Tongass National Forest.

On behalf of KPC, I would like to raise two serious concerns related to the exchange negotiations proposed in Section 501(b). First, given the dramatic impact on the timber base which may be harvested on the Tongass already occurring because of the designation of approximately 627,000 acres as non-harvest areas, mandated 100-foot buffer strips on Class I and II streams and the Haida land exchange involving Sulzer Portage, KPC urges that the Forest Service be directed to make the exchange discussed in Section 501(b) from portions of the Tongass not currently in the timber base if at all possible. Simply stated, if a viable timber industry is to remain in Southeast Alaska as a major contributor to the financial and social stability of this region, Congress must do whatever possible to ensure that an adequate timber base is maintained.

Second, the exchange envisioned in Section 501(b) which presumably will be an exchange of property of equal value to that which the private parties are relinquishing in areas of interest to the federal government, clearly should not be accomplished in a manner detrimental to the already existing contractual rights of any member of the timber industry. Such an exchange should, we respectfully submit, not be accomplished in a way to harm existing rights of any contract holder, be that party one that holds a short- or long-term contract and to ensure that existing access to adjacent areas under contract are not adversely affected.

Because of the current uncertainties relating to the exchange discussed in Section 501(b) and the manner in which the Forest Service has handled this issue to date, we feel constrained to urge this Committee to direct the Forest Service to seriously take these concerns into account. This suggestion is made not to obstruct the exchange but rather is made so that at least this portion of the Greens Creek Mine provisions will not become fraught with controversy and potentially extended litigation.

As an example of such existing contract rights that must be recognized and considered, the remainder of my testimony will briefly treat various aspects of the KPC contract with the federal government and will also give specific suggestions of potential areas not in the timber base and/or under any current contract that should be the top priority of the Forest Service if such an exchange as discussed in Section 501(b) is to be consummated.

The KPC Contract Volume Requirements

The KPC Contract provides, both in the Preamble and in Section 1, that the federal government will provide KPC no less than 1.5 billion cubic feet (or 8.25 billion board feet) of economically-viable timber from designated areas of the Tongass National Forest during the initial 50-year period of the contract which ends in about 14 years. The designated sale area, also called the Primary Sale Area, is located generally on the northern half of Prince of Wales Island and the northwest corner of Revilla Island in Southeast Alaska. Section 1(a) of the Contract calls for additional areas (called

Contingency Areas), if the requisite volume is not found in the Primary Sale Area. The Primary Sale Area (like the rest of the Tongass National Forest) is divided into value comparison units (VCU's), and the Contract gives the Regional Forester the right to sell up to two percent of the volume in any VCU in the Primary Sale Area to others for ultimate use in Southeast Alaska, if such sale will not materially interfere with the operations of KPC. No other sale of timber to others may be made in the Primary Sale Area to other than KPC absent agreement by KPC. Timber found on the Contingency Areas can be withdrawn or sold to others only if the contract requirements can be met elsewhere in the Primary Sale or Contingency Areas. Such a determination must be made by the Forest Service before any such sale can be made.

These requirements have been recognized by the Forest Service. For example, during the deliberations involved in the Alaska Native Claims Settlement Act, Mr. Barton wrote (on March 6, 1980) to KPC on behalf of the then Regional Forester, Mr. John A. Sandor, as follows:

> We are advised by the Office of General Counsel that the KPC Contract should be listed as a third-party interest unless we are convinced that the area proposed for transfer under the ANCSA is not needed to meet the volume requirements under the contract. (See Attachment A)

On October 27, 1981, Mr. Barton wrote to KPC in his capacity as Deputy Regional Forester, stating that:

> **The Forest Service is obligated to allot additional timber from the contingency areas shown on the contract map, if such timber is needed. (See Attachment B)**

In order to assist in this analysis and for other purposes required by the contract, a Life-of-Sale Plan is completed as needed, to determine "the extent to which volume from the contingency areas may be required. (See Attachment C) This Life-of-Sale Plan generally depicts the areas within the Primary Sale and Contingency Areas, which will provide the contractually-required volume of timber.

The KPC Contract — The Current Situation

During the life of the KPC Contract, the federal government has withdrawn, for various reasons, massive amounts of acreage and economically-viable timber volumes from the Primary Sale and Contingency Areas. Notwithstanding these withdrawals, KPC has continued to meet its obligations under the Contract and has played an important role in maintaining community stability in Southeast Alaska and positive financial returns to the federal government from its sales of timber from the Tongass National Forest.

Volume Withdrawals. During the life of the KPC Contract, the following areas within the Primary Sale and Contingency Areas have become unavailable for harvest by KPC due to Native Corporation Land Selections:

Area	Approximate Acres
Hydaburg, Hetta Inlet, Sukkwan Island	20,850
George/Carrol Inlets, Whipple Creek/White River	19,815
Craig, Port St. Nicholas	23,293
Big Salt, Klawock Lake	22,331
Long Island, Dall Island	21,349
Kassan Peninsula, Skowl Arm	23,067
Dolomi, Dora Bay, So. Arm Chomondeley	23,980
Cleveland Peninsula, Dall Island, Long Island, Hetta Inlet, Tolstoi Bay, Nutkwa Inlet, Big Salt, Sulzer Portage	164,870
Total	319,555

Since the commencement of the KPC contract, the following areas have become unavailable for harvesting by KPC due to State of Alaska Land Selections: Point Baker/Port Protection, Whale Pass, Coffman Cove, Thorne Bay, Hollis, Edna Bay, El Capitan, plus other smaller areas. These areas total 60,000 acres.

The following areas have become unavailable for harvesting by KPC due to wilderness/roadless area designations:

Area	Approximate Acres
Kegan Lake	24,990
Sarkar	25,650
So. Prince of Wales	97,000
Cow Creek	5,307
Naha	31,821
Yes Bay/Eagle River	145,818
Misty Fiords	2,210,737
Ketchikan Lakes	6,568
Thorne Arm	9,073
Coronation/Warren/Maurelle Islands	34,000
Total	2,639,964

The areas in the KPC Contract taken out of timber production by the Senate-passed version of H.R. 987 include the following:

Area	Approximate Acres
Calder/Holbrook	56,540
Karta	38,046
Nutkwa	28,118
Outside Islands	75,017
Sulzer Portage	6,000
Total	203,721

Thus, there have been dramatic reductions in the Primary Sale and Contingency Areas in years past and more reductions are slated to occur based on the Senate-passed version of H.R. 987. More than 3 million acres with over 11 billion board feet have been or are slated by the Senate-passed version of H.R. 987 to be removed from the Primary Sale and Contingency Areas of our Contract, not counting acreage taken out of production by current Forest Service measures to protect other resource values (visual, wildlife and fisheries retention areas) and the proposed buffer strips on Class I and II streams. Much of what has been withdrawn has been the highest value stands of timber from an economic standpoint and from the standpoint of return to the federal government. Many of the remaining stands are economically marginal except during the higher portion of the economic cycle.

It is clear to KPC that the Primary Sale Areas remaining are not capable of producing the required Contract volume. The Forest Service has recognized this since the early 1980's. Indeed, portions of our operations were shifted onto Contingency Areas by the Forest Service in 1984 because the Primary Sale Area had by that date suffered so many withdrawals. During the recent healthy market, the Forest Service has moved our harvest operations onto stands of timber that would not be economic in lower market periods, preserving the higher value stands for lower market periods. Our average volume per acre harvested, for example, has decreased to under 30 thousand board feet per acre during 1990, well below the average volume per acre harvested by other operators on the Tongass.

Notwithstanding the current proposed withdrawals from the Primary Sale and Contingency Areas in the KPC Contract, to date the Forest Service has to our knowledge conducted no analysis of the impact on our current Life-of-Sale Plan of the proposed withdrawals, including any that might eventuate from the proposed exchange found in Section 501(b).

KPC Performance Under the Contract. As you know from my previous testimony, we at KPC are proud of our accomplishments and our operations, which have been undertaken in reliance on the federal government's commitments under our Contract. Our analysis of the recently published TSPIRS report indicates that our operation has been instrumental in raising the Tongass National Forest to a profitable level under any measure of that term. In Fiscal Year 1989, the Tongass National Forest returned $1.41 for every dollar spent on timber sales. For the area of the Tongass in which we operate (the Ketchikan District) the return has been even more favorable, in that the return to the federal government has been $2.19 for every dollar spent. During calendar year 1989, KPC was charged more than $18,000,000 for stumpage payments under our Contract.

The record for 1990 will be even more favorable. Based on Forest Service data, our average stumpage payments through May, 1990 have been $111.87/MBF. We estimate that, assuming the Forest Service releases timber in the timely manner required by our Contract during the remainder of 1990, the total stumpage payments will be upwards of $24,000,000.

We at KPC continue to believe that our operations are conducted with sensitivity to other resource values of the Tongass National Forest. We continue voluntarily to participate on an on-going basis in donating substantial time and financial resources to the betterment of the fish production in our area. Current projects include building a fish pass in Ratz Harbor on Prince of Wales Island, assisting in a research project dealing with fish populations and the various causes of pre-spawner mortality, and assisting in another research project concerning issues relating to impacts to stream temperature. Past projects involving construction of fish passes have already been completed. We continue to fervently believe that our operations have played a leading role in proper multiple-use management of the Tongass National Forest -- and we intend to continue that role. We only ask that the federal government live up to its commitments as found in our Contract.

Potential Exchange Lands That Should Be Seriously Considered. Earlier I stated our view that if possible, any exchange pursuant to Section 501(b) of H.R. 987 come from timbered acres not currently in the timber base of the Tongass National Forest (LUD I and II). (Attachment C shows some such areas that should be considered.) We remain convinced of that position. However, we also want to place on the record areas that, while currently in the timber base, at least are not to our knowledge currently under any long- or short-term contract with any party. See Attachment C. We again would urge that the Forest Service be directed to look to these areas if any exchange as described under Section 501(b) is to occur involving timber currently classified as LUD III or IV.

0104L

Attachment A

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREST SERVICE
P.O. Box 1628, Juneau, Alaska 99802

MAR RECEIVED

5450
2430
MAR 06 1980

Mr. C.L. Cloudy
Ziegler, Cloudy, Smith, King & Brown
307 Bawden Street
Ketchikan, Alaska 99901

Dear Mr. Cloudy:

This is in response to your February 19, 1980, letter to Jim Calvin of my staff and to previous correspondence concerning the contractual rights of the Ketchikan Pulp Company within contingency areas being selected by various Native corporations under the Alaska Native Claims Settlement Act (ANCSA).

We are advised by the Office of General Counsel that the KPC contract should be listed as a third party interest unless we are convinced that the area proposed for transfer under the ANCSA is not needed to meet the volume requirements of the contract.

Based upon the timber supply projections prepared for the Tongass Land Management Plan and on the current "life of sale" project, which both made allowances for ANCSA selections, we have determined that the timber on the ANCSA selections from within the contingency areas is not needed to meet contractual commitments. We are therefore notifying the Bureau of Land Management that we concur with their decision to issue the Sealaska "Decision to Convey" without KPC noted as having a third party interest. This will apply to the selections of Craig, Klawock, Hydaburg and Klukwan as well.

Sincerely,

Michael A Barton
for JOHN A. SANDOR
Regional Forester

Attachment B

United States
Department of
Agriculture

Forest
Service

Regional
Office

P.O. Box 1628
Juneau, AK 99802

Reply to: 1920

Date: October 27, 1981

RECEIVED

Mr. C. L. Cloudy
Ziegler, Cloudy, Smith, King & Brown
307 Bawden Street
Ketchikan AK 99901

Dear Mr. Cloudy:

In your letter of September 30, you ask about the prospects of further State selections in the Tongass National Forest as a part of the Chugach Region Study and the possible impact such selections might have on the timber base. The position of the Department of Agriculture on this issue remains as stated in Deputy Secretary Lyng's August 4, 1981, letter to Secretary of the Interior Watt. USDA does not support selections from the Tongass as a part of the settlement of Chugach Natives Inc. land claims.

As you may be aware, on September 23, USDI/USDA submitted two additional proposals for consideration of Chugach Natives, Inc. On October 1, CNI formally rejected both options and the Study Group decided to proceed with the second and final round of public hearings. Since the Study Group has been unable to reach a consensus on a draft study recommendation, the public was invited to comment on any and all proposals which have been placed before the Study Group, including proposals involving the Tongass. The hearings are now complete and the information received is being analyzed in the hope that it will aid the Study Group in reaching a consensus settlement recommendation.

Very little time remains for the Study Group to complete its work. The Act calls for the President to submit a study report and recommendation to Congress by December 2, 1981. All parties to the study are continuing to seek an acceptable solution to this complex problem and current plans call for the Study Group to present its recommendation, if any, to the Alaska Land Use Council at the Council's November 13 meeting.

The Council may then either comment on the Study Group recommendation, develop its own recommendation, or simply allow the Study Group report to go forward to the President without comment.

Realistically, the possibility of the Study Group not being able to reach a consensus must be acknowledged. In such an event CNI could independently submit legislation to the Congress, the nature of which is purely speculative at this time, but conceivably could have implications for the Tongass.

Let me assure you that the Forest Service recognizes its contract commitments with Louisiana Pacific, Ketchikan and fully intends to meet those commitments. As stated in Chief Peterson's July 14 letter to you, the contract of July 26, 1951, is a sale of 8.25 MMMBF from within the area shown on the contract map without regard to the quantity of timber on that area. The Forest Service is obligated to allot additional timber from the contingency areas shown on the contract map, if such timber is needed. The life of sale plan currently being developed will provide additional insight into the extent to which volume from the contingency areas may be required.

In summary, the Forest Service will meet its commitment for providing the volume called for by the June 26, 1951, contract, but this does not preclude Congress from enacting legislation affecting the specific areas from which this volume will come. When completed, the life of sale plan should prove to be a useful tool for long range planning on the part of both the Forest Service and LPK. The plan, however, should not be thought of as a static document. Future State selections under the Statehood Act and many other as yet unforseen eventualities may require modification of the plan. Continued close coordination between the Forest Service and LPK is indicated.

Sincerely,

Michael A Barton
MICHAEL A. BARTON
Deputy Regional Forester

Attachment C

AREA	LUD	CFL	MMBF	REMARKS
Duncan Canal				
VCU 441	1	7,443	137.49	This area is near the Portage Bay Log Transfer Facility and road system.
VCU 445	1	5,759	108.10	
		13,202	245.59	
South Etolin				
VCU 472	1 Released	5,954	125.61	This area is accessable from the Anita Bay Log Transfer Facility and road system.
VCU 473	1 Released	11,404	206.10	
VCU 474	1 Released	4,477	67.46	
		21,835	399.17	
Seal Bay/Long Bay				
VCU 228	2	3,208	67.73	This areas has a Log Transfer facility located between Seal Bay and Saltery Cove and another planned but not constructed site at Goose Flats.
VCU 229	2	3,154	58.35	
VCU 226	3	2,553	59.60	
		8,915	185.68	
Port Althorp				
VCU 190	2	7,176	142.25	Idaho Inlet has several areas that can be developed for a Log Transfer Facility and be easily accessed by road.
VCU 224	3	1,046	24.49	
		8,222	166.74	
Pillar Bay				
VCU 403	2	10,397	203.48	This area is adjacent to the Rowan Bay Log Transfer Facility and road system.
Cow Creek				
VCU 731	2	2,001	37.30	This area is accessible from the Klu Bay road system and Log Transfer Facility. This is also along the planned transportation corridor from Revilla Island to the mainland.
VCU 781	1	3,306	77.33	
		5,307	114.63	
East Zarembo				
VCU 459	3	10,105	180.81	This area is adjacent to the St. John Harbor Log Transfer Facility and road system.
West Etolin				
VCU 465	3	3,358	59.61	This area is adjacent to the Anita Bay Log Transfer Facility and road system.
VCU 466	3	3,717	62.21	
VCU 467	3	7,584	160.20	
		14,659	282.02	

Kupreanof				
VCU 436	4	5.925	138.48	This area is mid-way between the Portage Bay Log Transfer Facility and road system and the Hamilton Bay Log Transfer Facility and road system.
VCU 438	4	3.637	63.25	
		9.562	201.73	
Thorne Arm				
VCU 755	4	5.725	119.11	This area is accessible from the Shoal Cove Log Transfer Facility.
VCU 757	4	3.348	62.05	
		9.073	181.16	

Senator **Murkowski**. Thank you, Mr. Pihl.

We have a vote on, and I am going to have to depart. It is something again that is dear to the hearts of Alaskans, it is gun control legislation and the gun control vote, and I will keep you in suspense as to how I am going to vote nevertheless. I have heard from many Alaskans already today, so that might give you some idea.

Let me just again thank Beth and the professional staff, and Senator Johnston, for holding this hearing in a rather tight time frame, because as the Senator indicated, we are going to go to conference. And I would encourage those who bear the responsibility of working a resolution, and there are a lot of players here, and I think it fair to say that it has a possibility of working the two separate exchanges if there is a consensus. If there is not, there is very little likelihood in the Senator from Alaska's opinion of this becoming a part of the Tongass reform bill.

Obviously you gentlemen are conversant in what is in your own best interest, and you are also conversant in the objective of trying to achieve these two exchanges, in effect, and a consensus would be very helpful to this Committee, as opposed to a dictate, because it appears that if we get into a dictatorial frame of mind, we might get some objections from you, and that would result in opposition being addressed, at least in the conference process.

The record will be open for two weeks, so that gives you some idea of the time frame under which we might be in, until we go to conference. And there is a vague possibility we may to conference sooner.

Thank you for coming the distance you have. You have been very gracious. And thanks to the audience. And we wish you a good day and a good summer.

[Whereupon, at 4:45 p.m., the hearing was adjourned.]

APPENDIXES

APPENDIX I

Responses to Additional Questions

United States Department of Agriculture
Forest Service
Washington Office
14th & Independence SW
P.O. Box 96090
Washington, DC 20090-6090

Reply To: 1510

Date: AUG 15 1990

The Honorable Dale Bumpers
Chairman, Subcommittee on Public Lands,
National Parks and Forests
Committee on Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed are answers to the questions you posed in your July 2nd letter related to S. 2273, the Greens Creek Exchange Act. We appreciate the opportunity to clarify the issues surrounding the Greens Creek exchange.

Sincerely,

F. DALE ROBERTSON
Chief

Enclosure

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREST SERVICE

RESPONSE TO QUESTIONS
FROM SENATOR BUMPERS REGARDING
S. 2273, GREENS CREEK EXCHANGE ACT

1. You ask in your testimony that Congress "allow us additional time to estimate to the fullest degree practicable the values and interests involved." Approximately how much time do you feel that you will need to complete these valuations? How do you intend to evaluate these properties? Will you do a formal appraisal?

With Sealaska's concurrence, we believe that we can complete the land exchange negotiations on the Greens Creek parcel in the near future. With the exception of the Greens Creek subsurface, property valuation will be based on an estimate of value from a qualified Forest Service appraiser. The relative values of the subsurface at Greens Creek and other tracts, principally Cube Cove, were developed by qualified Forest Service geologists from available geologic information. We do not plan to do a formal appraisal.

2. What practice does the Forest Service usually follow in establishing value in land exchanges? Is an appraisal normally done? What does that entail?

Land exchange values are normally established by a qualified Forest Service appraiser or by contracting with a qualified independent appraiser. The appraisal is prepared in compliance with applicable Federal standards based on comparison of the subject property with similar properties that have sold on the open market or by following other accepted appraisal methods.

Valuing land exchanges in Alaska, particularly those involving subsurface estates, is difficult. Because there are so few sales in the Alaskan real estate market involving large tracts or subsurface estates, there is limited comparable sale data for valuation purposes. Subsurface appraisals are difficult under any circumstance because of the many variables associated with valuing mining operations. For these and other reasons, Congress allows some deviation from strict equal-value requirements for exchanges under section 22(f) of the Alaskan Native Claims Settlement Act and section 1302(h) of the Alaska National Lands Conservation Act.

3. You state in your testimony that you are close to completing negotiations with Sealaska on a Greens Creek exchange. You also state that you need more time to complete the valuations. Do you anticipate that after you complete the valuations, that the configuration of the exchange might change significantly? If so, does that mean you might have to "go back to the drawing board" with Sealaska?

We believe the exchange as currently configured will not change substantially as the negotiations and valuations are completed.

4. What is your current estimate of the value of the 18,839 acres of land surrounding Greens Creek to be conveyed to Sealaska pursuant to S. 2273? How did you arrive at that figure? Have you done an appraisal on these lands?

We have not done an appraisal and have not put a precise dollar figure on the value of the 18,839 acres at Greens Creek. We do not believe we can support such an estimate without a significant investment in mineral exploration by the United States. We believe that the United States will receive equitable compensation through the $14.5 million in land values and payments based on the quantity of minerals produced. The payments for minerals produced should be comparable to payments from public and private leases elsewhere in the country.

5. What revenues do you anticipate the Greens Creek Joint Venture receiving from the lease of these lands?

It is not possible to estimate the revenues to be received by the Greens Creek Joint Venture until the 18,839 acres of subsurface are explored. Any estimate would have to be based on expected exploration, development and operating costs, as well as complete knowledge of the extent of ore bodies and prevailing metals prices.

6. What is your current estimate of the value of the lands to be conveyed by Sealaska to the United States pursuant to S. 2273? How did you arrive at that figure?

The total value of lands to be received by the United States is estimated to be $14.5 million. A qualified Forest Service appraiser estimated these values based on knowledge of the tracts involved and the real estate market in southeast Alaska and the Pacific Northwest. The value of the Nutkwa Lagoon surface and timber is estimated to be $14.4 million. A nominal value of $3 per acre was used for the 33,259 acres of subsurface to be acquired by the United States with a resultant value of about $100,000. This excludes any cash equalization payments from valuable minerals that may be present on the Greens Creek lands.

7. What is your current estimate of the value of the lands to be conveyed in your most recent agreement with Sealaska? How did you arrive at that figure?

The estimated value of the 32,707 acres of subsurface to be conveyed to Sealaska is about $98,000. The remainder of the exchange equation is attributable to Sealaska receiving the right to explore for and develop valuable mineral deposits at Greens Creek.

8. In your most current proposal, are the values of the lands exchanged equal?

The values are essentially equal when the public interest factors are considered. Those factors are: (1) furthering the acquisition of lands and interests important to the Admiralty Island National Monument and Wilderness at Cube Cove; and, (2) the potential economic benefits to Southeast Alaska from extension of mine operations at Greens Creek.

9. You state in your testimony that the Nutkwa Lagoon lands to be conveyed by Sealaska are worth about $14.4 million? How did you arrive at that figure?

A qualified Forest Service appraiser valued the property using accepted Federal valuation procedures. Two scenarios were used: (1) liquidation of the timber and sale of the land; and, (2) development into a remote recreation subdivision. Timber stand types and commercial volumes of timber by species were estimated using standard Forest Service procedures. Logging costs and prices were estimated by Forest Service timber appraisal specialists. Land values were based on market data. The greatest dollar value was from timber and land liquidation. A formal appraisal was not made.

10. Is the Forest Service under a statutory obligation to exchange lands which are of equal value?

Land exchange authorities of the Forest Service require equal value exchanges or equalization of differences in value by cash payments, with a few exceptions. One exception is an amendment to Section 22(f) of the Alaska Native Claims Settlement Act, as amended (43 U.S.C. 1621) which provides that exchanges in Alaska may be made for other than equal value should the Secretary determine such an exchange is in the public interest. While it is our practice to obtain equal values in land exchanges, there are occasional exceptions in Alaska under this authority.

11. To your knowledge has a value equalization payment such as the one included in S. 2273 ever been used before in the context of a land exchange?

We are not aware of any other transactions which have used this approach. However, one-time equalization payments to complete land exchanges are often made.

12. What is the status of negotiations regarding the Lake Florence lands at Cube Cove?

These negotiations are proceeding at a slower pace than those with Sealaska. We are responding to a written offer dated July 5 from Shee Atika for their interest in 6,335 acres at Lake Florence. We are negotiating with Atikon on the proposed exchange for timber rights. (Also see answer to question 17.)

13. In your testimony, you outlined the elements of an agreement that is near completion with Sealaska in regard to the Greens Creek exchange. In it you state that the 23,000 acres of subsurface at Cube Cove would be contingent upon the transfer of the surface estate. Could you explain the necessity for this contingency? In this configuration, would the entirety of the 32,700 acres of federally owned lands be conveyed to Sealaska immediately, while only the 2,484 acres of surface at Nutkwa and about 10,000 acres of subsurface in areas outside of Cube Cove would be conveyed immediately to the United States? Is there any guarantee that the United States would ever acquire the remaining 23,000 acres at Cube Cove?

The timing of the United States acquisition of the subsurface under the Cube Cove lands is designed to minimize potential litigation which could adversely affect the existing property rights of Shee Atika and Atikon. There is a long history of litigation regarding their use of the Cube Cove land. This litigation was extremely costly to Shee Atika, and resulted in significant delays in their operations and near bankruptcy for the corporation. To minimize these risks, we are negotiating with Sealaska on possible ways the United States can ultimately acquire the subsurface at Cube Cove while alleviating, as much as possible, the possibility that the acquired Federal rights would be used as a basis for more litigation against Shee Atika.

14. The Forest Service has stated that receiving 23,000 acres of subsurface at Cube Cove is an integral part of any Greens Creek exchange. Shee Atika is expected to object to the conveyances of that subsurface until the surface is conveyed. However, your negotiations with Shee Atika and Atikon have focussed only on the Lake Florence lands within Cube Cove? Is that correct? Do you expect to broaden these negotiations to include the remainder of Cube Cove in the near future?

Our ultimate objective is to acquire fee title to the entire 23,072 acres at Cube Cove. Negotiations with Shee Atika involve both Lake Florence and the remaining 17,000 acres of land. Primary emphasis has been on Lake Florence, because it is scheduled to be logged starting in October 1990. Detailed negotiations with Shee Atika for acquisition of the remaining 17,000 acres is planned after Atikon's logging is complete.

15. The Forest Service has apparently identified federally-owned lands for exchange with the owners of the Lake Florence lands. Where are these lands? Do they in any way conflict with the Forest Service's contractual obligations to provide timber to the Ketchikan Pulp Company through its long-term contract?

Atikon is willing to exchange for timber of equivalent value elsewhere. Several sites have been considered. The areas in which Atikon has expressed the greatest interest in are on Tuxekan Island and the western half of Kosciusko Island.

The areas identified by Atikon do not conflict with Forest Service timber contract obligations. Under the Ketchikan Pulp Company (KPC) long-term timber sale contract, the Forest Service is obligated to provide the contract volume from a specified sale area. Neither Tuxekan nor Kosciusko Islands are within this area. Both islands are included in a larger pool of lands from which KPC contract volume could be provided in the event of a volume shortfall within the sale area. Current estimates indicate that such a shortfall is not expected and neither Tuxekan nor Kosciusko islands have been identified as sources of additional volume needed to satisfy the contract. Numerous past timber sales have been offered in these two areas, and none were purchased by KPC. The Regional Forester has the authority to make the exchange without agreement of KPC if, in his judgement, the volume is not needed to meet the terms of the KPC contract.

The applicable provision in the current Ketchikan Pulp Company Contract (dated 3/1/84) reads as follows:

> "Section 1(a). Additional Areas.
>
> "In the event the quantity of timber available for cutting within the above described area is insufficient for full scale operation until June 30, 2004, of the Purchaser's pulp plants, hereinafter, mentioned at the capacities contemplated in Section 1(h) of this agreement, the Regional Forester shall designate additional cutting areas within Pulptimber Allotments E, F, and G to meet such needs of such plants for the period ending June 30, 2004, PROVIDED, that the Regional Forester is not obligated to make available for cutting more than the 1,500,000,000 cubic feet of material covered by this agreement, and PROVIDED FURTHER, that the Regional Forester may sell timber from time to time in such amounts, from those portions of Pulptimber Allotments E, F, and G not included in the area hereinabove described which in his judgement are not needed to meet the terms of this agreement, and PROVIDED FURTHER, that inability of the United States to fulfill the obligations set out in this paragraph because of loss of timber within any portion of Pulptimber Allotments E, F, and G by fire, windthrow, insect or disease epidemics shall not entitle the Purchaser to the right to cut timber in any areas outside of Allotments E, F, and G, or to any other compensation."

With respect to the surface at Lake Florence, Shee Atika is willing to sell their surface interest in 6,335 acres to the United States for cash and other considerations. (See answer to question 14.)

16. Can the Lake Florence land exchange be done administratively?

Section 22(f) of the Alaska Native Claims Settlement Act and section 1302(h) of the Alaska National Interest Lands Conservation Act, provide authority to complete the exchange administratively. However, any cash component of an exchange required of the United States would require an appropriation from the Land and Water Conservation Fund or other funding source.

17. What are the values of the respective lands being considered for exchange and how did you arrive at those figures? Specifically, what is the current value of the Lake Florence lands? How does this figure relate to the values put on this land in the past? What value did Shee Atika place on the timber on this land when it sold it to Atikon in 1987?

There are three separate interests to be considered at Lake Florence: Sealaska owns the subsurface rights; Atikon owns the timber rights; and Shee Atika owns the remaining surface rights. The relative value of the subsurface owned by Sealaska is a part of the value estimate discussed in the answer to question 4. We have not made a separate valuation of the subsurface at Lake Florence.

We have not yet determined the value of the timber rights owned by Atikon. We plan to identify the comparable value of timber involved based on application of the principles used in Forest Service timber appraisals comparing volume, species, costs of production and expected market returns.

A qualified Forest Service appraiser estimated the value of Shee Atika's remaining surface rights on the 6,000 acres based on knowledge of the tract involved and the real estate market in Southeast Alaska and assigned a value of $3.4 million. On July 5, 1990, Shee Atika offered 6,335 acres at Lake Florence to the United States for $5.7 million in cash and approximately 20,000 acres of subsurface estate. We do not know the value Shee Atika placed on the timber rights when the rights were sold to Atikon.

18. Does the Forest Service need legislative direction to carry out either the land exchange provided for in S. 2273 or the exchange you most recently proposed?

The only provision for which legislation is required is authorization for the special land acquisition fund established in S. 2273. The remainder of the exchange could be completed under existing authorities.

However, we believe there may be considerable merit to Congress ratifying through legislation any land exchange agreements which are negotiated with the Forest Service and Native corporations. There is precedent for ratification in section 506(b) of the Alaska National Interest Lands Conservation Act regarding Goldbelt's initial exchange off Admiralty Island. Ratification could insulate an agreement from questions regarding compliance with applicable laws and assure that other ongoing negotiations are not derailed by litigation.

19. What are the advantages of legislatively directing this exchange?

While there may be merit to congressional ratification of the land exchange agreements in this case, there is little, if any, advantage to legislatively directing the detailed terms of this exchange. We are actively negotiating with Sealaska and progress is being made in this complicated matter. Legislation preempting that process could undercut the respective negotiating positions of the parties and adversely affect the interests of the United States.

20. Do you feel that the Greens Creek exchange and the Lake Florence exchanges can be done separately?

The exchanges must be done separately with each owner. They are very closely related and each owner has valid interests that must be accommodated. We believe the exchanges with the three parties are linked and should proceed in parallel so that the interests of all the parties involved are accommodated.

21. If the Greens Creek land exchange were not done, could the Greens Creek mine still explore much of the surrounding area through extralateral rights?

The Greens Creek Joint Venture may have extralateral rights associated with the 17 mining claims on which valid discoveries have been made. The extent of extralateral rights depends upon the geologic structure of the deposit. The structure of the Greens Creek deposit is very complex and, because of this, we believe that the geographic extent of Greens Creek's extralateral rights is likely to be limited.

APPENDIX II

Additional Material Submitted for the Record

HOWARD M. METZENBAUM
OHIO

United States Senate
WASHINGTON, DC 20510

COMMITTEES
JUDICIARY
LABOR AND HUMAN RESOURCES
SELECT COMMITTEE ON INTELLIGENCE
ENVIRONMENT & PUBLIC WORKS
CHAIRMANSHIPS
SUBCOMMITTEE ON ANTITRUST
SUBCOMMITTEE ON LABOR

June 29, 1990

Mr. Byron I. Mallott
President & Chief Executive Officer
Sealaska Corporation
One Sealaska Plaza
Juneau, AK 99801-1276

Dear Mr. Mallott:

I was happy to meet with you, your General Counsel Chris McNeil, Jr., and Joseph Chomski of Birch, Horton, et al. yesterday to personally discuss Sealaska Corporation and the proposed Greens Creek land exchange.

As you know, Mr. Chomski had previously met with members of my staff. After receipt of your letter dated June 22, I was glad to have an opportunity to meet to discuss your concerns. As I mentioned at yesterday's hearing, the basis for my recent statement about Sealaska's director compensation was Sealaska's proxy statement for 1989.

My door is always open to you. I am confident that if the Greens Creek exchange is to go forward, it can be done in a way that is fair to all concerned, including the taxpayers and Sealaska's shareholders.

Very truly yours,

Howard M. Metzenbaum
U.S. Senate

cc: Senator J. Bennett Johnston
Senator James A. McClure
Senator Frank H. Murkowski
Senator Ted Stevens

Footnotes to Remuneration Table (cont.)

amount of Ocean Beauty's contribution is $1,440 per employee.

(f) Messrs. Victor W. Horgan, Jr. and Timothy Horgan are sons of Victor W. Horgan, Sr.

(g) Ruth G. Horgan (spouse of Victor W. Horgan, Sr.) owns shares in Seattle Eye Building Corporation, Inc. (SEBCO), which leased commercial building space to two wholly-owned subsidiaries of Ocean Beauty Seafoods, Inc. The aggregated value exceeded $20,000 during 1988. Mrs. Horgan's ownership interest in SEBCO was disclosed to and approved by Sealaska Corporation at the time of acquisition of OBS in 1979. Ruth G. Horgan owns less than 1.5% in SEBCO, Inc.

(h) Ocean Beauty Seafoods, Inc. established a new maximum vacation accrual policy that provides a limit of not to exceed one year's accrual to be allowed to be carried over from one vacation year to the next. Employees were given a one-time opportunity to receive payment for vacation hours in excess of the maximum carry-over allowed. Timothy Horgan received a one-time payment of $23,558 for accrued vacation hours in excess of the maximum carry-over allowed.

(i) Victor W. Horgan, Jr. was promoted to Executive Vice President/Chief Operations Officer on September 1, 1987 with significantly expanded management responsibilities. He received a retroactive pay adjustment in [illegible] 1988 of $27,416 [illegible] the date of his promotion.

(j) Bonuses and employer contributions to Ocean Beauty Seafoods, Inc.'s 401(k) plan are funded from accruing a percentage of all eligible employees' annual salary. The Ocean Beauty bonus program provides [illegible] of earned bonuses over $3,000 to be deferred and paid out in the following three years or over the term of an employee's contract. If the employee voluntarily resigned from Ocean Beauty, under certain circumstances the employee forfeits the deferred amount.

- Victor Horgan, Sr. was paid a bonus of $2[illegible]5,000 pursuant to an incentive bonus provision in his employment contract for work done and performance in fiscal year 1989.
- Timothy Horgan was paid a bonus of $127,000. $49,000 was received as a base bonus, $32,000 was paid in lieu of retirement plan contributions, and $46,000 will be paid pursuant to a deferred bonus compensation plan over the next five years for work during fiscal year 1989 pursuant to an employment contract.
- Victor Horgan, Jr. was paid a bonus of $66,667. $34,000 was received as a base bonus and $31,000 of the $32,667 represents a deferred portion to be paid out over the next three years and earned during fiscal year 1989 pursuant to an employment contract.

Pursuant to a written employment contract Mr. Yasuaki Nakatsu received a bonus of $20,000 for work done and performance in fiscal year 1988.

Messrs. Easley and Samaniego each received a bonus of $25,000 and $7,000 respectively for work done and performance in calendar year ending December 31, 1988.

Messrs. Mallott, Howe, Loescher, McNeil, Strafford, Martin, Barlow, and Harris, and Ms. Richert each received a bonus of $20,000, $20,000, $17,500, $17,500, $17,500, $5,000, $12,500, $15,000 and $7,000 respectively for work done and performance in fiscal year 1989.

(k) Mr. Mallott is entitled to reimbursement of all medical expenses incurred by him and his family and received a monthly maintenance allowance of $1,800. During 1988 and 1989, Mr. Mallott was reimbursed $[illegible]2,292 for medical and was compensated $18,[illegible] for maintenance allowance. Pursuant to a written employment contract, both the medical and maintenance allowance were discontinued during 1989.

(l) Mr. Barlow's compensation includes $6,101 relocation benefit.

(m) Ms. Richert is an officer and director, but not a shareholder, of a corporation which had a construction contract with Sealaska Corporation in 1989. The aggregate value of the contract exceeded $20,000.

(n) The following is a list of Directors' Fees.

Marlene A. Johnson	Chairman of the Board	$72,600
Clarence Jackson, Sr.	Vice Chairman	43,700
Charles A. Carlson	Director	41,400
Albert M. Kookesh	Director	37,100
A. John Hope, Jr.	Director	33,600
Dr. Walter A. Soboleff	Director	33,400
Raymond Q. Demmert	Director	31,400
Marjorie V. Young	Director	31,000
E. Embert Demmert	Director	29,000
Jim Edenso	Director	26,100
Alan L. Williams	Director	26,100
Rosita F. Worl	Director	26,000
Carlton R. Smith	Director	24,100
Niles C. Cesar	Director	22,600
Joseph Demmert, Jr.	Director	21,700
Louis Gloria	Director	16,950
Alfred E. Widmark, Sr.	Director	14,150
Richard J. Stitt	Director	10,050
Ethel M. Lund	Director	9,850
Joseph E. Kahklen	Director	600

On September 22, 1988, the Board of Directors adopted a resolution to initiate a Directors Retirement Plan for all current Directors who are not participants in Sealaska Corporation's Money Purchase Pension Plan. The amount funded as of March 31, 1989 on behalf of all Directors was $283,132. This was based on 10% of all fees earned for current and prior service.

The cumulative total of Directors' fees is $[illegible] which represents 24.65% of the total remuneration paid to all listed officers and Directors.

(o) Officers include all full-time employees whether or not listed in the above remuneration schedule and non full-

Sealaska

Notice of

Meeting

4/4/89

FROM

ANNUAL

Statement

PROXY

→ 41,7266

20 | 834,532

STEVE COWPER
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 27, 1990

The Honorable Dale Bumpers
Chairman
Senate Subcommittee on Public
  Lands, National Parks and Forests
308 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

We understand that the Senate Subcommittee on Public Lands, National Parks and Forests will hear testimony on June 28, 1990, concerning the proposed Greens Creek Exchange presently being negotiated by the U.S. Forest Service and Sealaska Corporation. Although negotiations to refine the terms of the exchange have not yet been concluded, the State of Alaska is supportive of the current approach. We request inclusion of this letter in the hearing record.

As you know, the proposed trade would convey Sealaska Corporation land in southeast Alaska to the federal government in exchange for federal land. Specifically, Sealaska Corporation would convey the subsurface estate beneath several tracts of national forest land and the surface estate adjacent to the Nutkwa LUD II Management Area to the United States. In exchange, the United States would convey an approximately equal acreage of the federal subsurface estate surrounding the Greens Creek mine property to Sealaska Corporation. The Forest Service would continue to manage the surface estate of this tract as part of the Admiralty Island National Monument.

To resolve any uncertainties about the valuation of their respective subsurface interests, the parties are considering some kind of value equalization provision. Such a mechanism would insure that the U.S. would receive, in addition to any federal income tax revenue, a portion of the proceeds of any minerals removed or sold from the acquired subsurface. Normally, of course, the federal government receives no compensation for the extraction of minerals from federal mining claims. These payments could be used in lieu of tax dollars to acquire private inholdings in Admiralty Island National Monument. Potential acquisitions include private land at Lake Florence, Lake Kathleen, and Wards Creek within the Admiralty Island Wilderness Area.

The State of Alaska supports the proposed approach because we believe that substantial public benefits would accrue. The exchange would contribute to: the acquisition of private timber land within the Admiralty Island Wilderness Area, which is scheduled for logging in 1991; the consolidation of split estates giving the U.S. the subsurface beneath lands it presently manages; the extension of the life of a world-class mine with attendant expansion and continuation of employment opportunities for local residents and increased tax revenues; the creation of a mechanism to fund acquisition of private in-holdings within the Admiralty Island National Monument without using federal tax dollars; and the acquisition and permanent protection of the entrance to Nutkwa Lagoon, one of 12 areas to be protected from commercial timber harvesting by the Senate substitute.

We urge the Congress to approve this proposed exchange as part of Tongass reform legislation now. If Congress elects to consider this proposal separately, we recommend that it receive early consideration, so that time-dependant public benefits are not lost.

Thank you for considering our views.

Sincerely,

Steve Cowper by JWK

Steve Cowper
Governor

cc: Senator Ted Stevens
Senator Frank Murkowski
Senator J. Bennett Johnston
Senator Timothy E. Wirth
Senator Malcolm Wallop
Senator James A. McClure
Congressman Don Young

Southeast Alaska Conservation Council
SEACC • P.O. Box 021692 • Juneau, Alaska 99802 • (907-586-6942)

Washington, D.C. Office:
c/o National Audubon Society
801 Pennsylvania Avenue, S.E.
Washington, D.C. 20003
(202-547-0141)

June 28, 1990

Dear Senator Johnston:

The Southeast Alaska Conservation Council (SEACC) appreciates the opportunity to comment on the proposed Greens Creek land exchange and other related issues. SEACC represents a coalition of 13 Southeast Alaska conservation groups in addition to over 1000 individual members. Please make these comments part of the official hearing record.

As you know, SEACC's highest priority is the resolution of Tongass reform legislation. The House and Senate will soon proceed to Conference Committee. We strongly urge that a workable compromise be reached quickly without any further delay. Consideration of the Greens Creek issue should not hinder this speedy resolution in any way.

We are on record in general support of a Greens Creek sub-surface exchange, plus surface exchanges which will protect the Lake Florence drainage and the Nutkwa Falls area. Today, we are hopeful that an equitable set of exchanges can be worked out.

Basically, our view is this: language which perfects an equitable Greens Creek exchange resulting in the protection of Lake Florence and Nutkwa Falls -- coupled with an Admiralty Island inholding acquisition fund -- should go forward, provided that equal value is received by the Federal Government and the exchanges are found to be in the public interest.

Before I get into some specific aspects of the potential exchanges, I should explain where we're coming from. SEACC members live and work in Southeast Alaska, and we have been actively involved in protecting Admiralty Island for decades. Over the past 4 years, we have been committed to resolving this issue -- and in 1986 faced some extremely difficult decisions which almost ripped our Board apart in order to support Representative Seiberling's legislation, which ultimately died in the Senate. (See attachment A)

Several important factors have helped determine our support for equitable exchanges: 1) A pragmatic view showed that there would always be pressure to further develop the Greens Creek mining area. Exchange legislation would at least result in acquiring public benefits both for local people and national interests (benefits such as protection for Nutkwa Falls, Lake Florence and other Admiralty inholdings). 2) The proposed underground expansion of

PELICAN FORESTRY COUNCIL • FRIENDS OF BERNERS BAY, Juneau • WRANGELL RESOURCE COUNCIL • SITKA CONSERVATION SOCIETY
FALSE ISLAND-KOOK LAKE COUNCIL, Tenakee Springs • LYNN CANAL CONSERVATION, Haines • TAKU CONSERVATION SOCIETY, Juneau
NARROWS CONSERVATION COALITION, Petersburg • FRIENDS OF GLACIER BAY, Gustavus • TONGASS CONSERVATION SOCIETY, Ketchikan
ALASKA SOCIETY OF AMERICAN FORESTDWELLERS, Point Baker • JUNEAU GROUP SIERRA CLUB • YAKUTAT RESOURCE CONSERVATION COUNCIL

the Greens Creek mine may extend the life of the mine by ten years. In our judgement, this potential expansion of an existing facility will cause minimal impacts to the Monument. 3) Expansion of the mine project should benefit the regional Native corporation and Alaska Natives who would share the profits via Section 7 (i) of ANCSA.

For this hearing, I want to focus on 3 major issues.

1. Inholding Acquisition Fund. No such fund exists today, but frankly, we wish it did. This unique fund could be used to purchase inholdings in such magnificent places as Pybus Bay, Chaik Bay, Hood Bay and Mole Harbor. Your committee may also wish to consider a different royalty system in order to gain a greater return to the Federal treasury.

2. Nutkwa Falls. Acquisition of this scenic and high value fish and wildlife area is of great importance to us. Currently, the Senate and House Tongass reform legislation would protect only 3/4 of the biologically rich Nutkwa Lagoon. The western 1/4 of the lagoon and Nutkwa Falls is in private hands. The area is vulnerable to logging and roading -- in fact, logging and a log dump were once proposed for the cove in Nutkwa Inlet just to the west of Nutkwa lagoon. (I have submitted a photograph for your review.)

There is a clear record of high fish and wildlife values in the area proposed for exchange. The Alaska Department of Fish and Game (ADF&G) cites the area as having one of the highest densities of black bear in the region, plus key habitat for marten, river otter, beaver, and Sitka black-tailed deer. It is also important for ducks, geese and trumpeter swans. At least 12 bald eagle nests are located in the area proposed for exchange. The entire Nutkwa Lagoon system is rated as one of the top salmon producers in all of Southeast Alaska.

The latest iteration of the Greens Creek exchange adds additional lands to Nutkwa Falls. This is an improvement. However, given the importance of this area and the adjacent area only a mile to the north -- known as Hetta Lake (an excellent sockeye salmon system) -- we hope that your committee will consider adding these surface lands to Nutkwa Falls as part of the final land exchange package. I have attached a memo from Hydaburg noting the importance of these areas to the Haida people. Memos from ADF&G are also attached. (Attachments B)

3. Lake Florence. Lake Florence, located in the heart of Admiralty Island, definitely deserves protection. It is the only drainage left intact of the original private holdings near Cube Cove. It has outstanding fish and wildlife values, and very high scenic, recreation and wilderness qualities. I am submitting a series of photographs showing the extent of logging in Cube Cove and clearly showing Lake Florence's precarious situation.

We fully expect that Ketchikan Pulp Corporation (KPC) will argue that no more timberlands should be taken out of their contract area as part of a Lake Florence timber trade. They will also ask that any new timber be taken out of LUD Is or LUD IIs.

First off, although KPC acts like it, they do not own the southern Tongass -- it is not KPC's private plantation. Second, we will not support opening up LUD Is or LUD IIs as requested by KPC.

An examination of the areas that are being discussed as replacement timber areas (Tuxekan Island and West Kosciusko Island) shows that there is no real conflict with KPC's long term sale area.

Tuxekan Island. This area has been heavily logged in the past. It is not part of the long term sale area. Future sales that are scheduled or planned into 1997 are all Small Business Administration (SBA) or salvage sales (Tongass Land Management Plan, amended 1987).

West Kosciusko Island (or Mt. Francis West). This area also has been heavily logged in the past. Scheduled sales are all SBA, salvage or A-frame sales (Tongass Land Management Plan, amended 1987). Furthermore, the KPC 89-94 EIS shows that for the "life of the sale" cutting schedule for the remainder of the contract, 7 out of 8 of the alternatives showed no planned harvest by KPC.

KPC will also claim they will be crippled by pending legislation. The facts show that out of 195 million board feet of timber scheduled for KPC each year, the Senate Bill's withdrawals directly impact KPC's operation by only 5.66 million board feet (mmbf) a year -- or only a 3% reduction of supply. If you add in the 1 mmbf per year (based on Forest Service estimates of a total of 100 mmbf available in the Lake Florence drainage cut over a 100-year rotation) involved in replacement timber on Tuxekan and West Kosciusko Island, you end up with a reduction of 3.5% from land/timber withdrawals. If the House Bill passed with Salmon Bay Lake watershed withdrawn and Lake Florence timber replaced -- KPC would still only be impacted directly by 9.36 mmbf per year -- resulting in only a 5% impact from the withdrawals.

It is well understood that there is plenty of timber available in the greater KPC contract area to replace the volume that might be withdrawn by Congress. It also appears that now the USFS admits that the original 15 million board foot per year cushion, set-aside for anticipated off-Admiralty exchanges, is still available. (See page C-6 of the 1985-86 amended Tongass Land Management Plan for details on this cushion.)

Finally, on this point, if the timber transfer is finalized, SEACC strongly recommends that no log dump be allowed in Shipley Bay. Instead, we urge that Koncor use the existing log dump at Cape Pole.

We would be happy to answer any questions or provide more detailed information on this important matter.

Sincerely,

Bart Koehler

Bart Koehler
Executive Director

Ⓐ

Factions point fingers over certain death of Admiralty land swap

By CHUCK KLEESCHULTE

[illegible]

Congress has not yet gone home for the year, but several of the factions involved in negotiations over an Admiralty Island land swap agreement are already blaming each other for its almost certain failure.

Environmentalists over the weekend blasted the region's pulp mills for blocking passage of an environmentally acceptable version of the lands bill that would have expanded mining rights at Greens Creek, while halting timber harvesting on Admiralty Island.

A spokesman for the Sealaska Corp., the region's Native corporation, Tuesday expressed substantial displeasure at the timber industry for intervening late in negotiations over a bill and demanding passage of an amendment – always unacceptable to environmentalists – in order to permit the bill to pass.

The region's timber industry, however, says environmentalists ignored timber industry testimony on the bill last year warning that the industry would not accept any bill unless its outstanding concerns with timber road funding left over from the 1980 Alaska National Interest Lands Conservation Act also were addressed.

The death of the bill could have significant spinoff effects on a number of the groups involved in the bill, notably the Shee Atika village corporation at Sitka which is currently logging timber at Cube Cove on Admiralty Island.

Bart Koehler, executive director of the Southeast Alaska Conservation Council, blamed timber industry solely for the death of the lands swap.

"They held the Admiralty bill hostage and then took a wrecking ball to it. Alaska Pulp smelled a chance to get the public and Forest Service to pay for even more of their logging roads – they just got too greedy," said Koehler.

Bob Loescher, senior vice president of resource management for Sealaska, Tuesday also expressed displeasure with the timber industry, which last month after House passage of a lands bill, proposed that an amendment be included that would have required the Forest Service to channel up to $47 million a year over the next five years to pay for road construction costs on existing timber sale areas.

The two pulp mills, the Alaska Pulp Co. at Sitka and the Louisiana-Pacific Co. mill at Ketchikan, would have been the main beneficiaries from the amendment.

"We had an understanding with the (timber) industry that after House passage of a bill we would try to win approval for a timber amendment in the Senate. We tried and it was not acceptable. I believe the industry then should have backed off," said Loescher.

"The lands bill we put together was timber neutral. It didn't change the timber harvest totals, it didn't hurt the industry in any way. It's our opinion they should have stayed out of the bill," said Loescher.

Jim Clark, a board member and an attorney representing APC, said he found "finger pointing" unproductive. "We went on record in June 1985 as saying if the Admiralty bill was going to be any more complex than just an exploration extension for Greens Creek that we would want to address our concerns over the lands act at the same time.

"The environmentalists are going to point and say it was our fault that the bill failed. But what gives them the right to say who should get to put the last bauble on the Christmas tree. If everyone else got what they wanted out of the bill, we should have to," said Clark.

A committee aide to Sen. Frank Murkowski, Tom Roberts, said the senator agreed with the timber industry. He said the industry amendment should have been acceptable to environmentalists as part of a compromise settlement of outstanding Admiralty issues.

"Environmentalists opened the door, but it was like they didn't want to make any concessions to the timber industry. Environmentalists heard the industry's concerns and just chose to ignore them," said Roberts.

Under the lands bill passed by the House, Shee Atika would have given up their rights to log 23,000 acres of Admiralty east and south of Cube Cove, timber worth about $70 million, in return for:

- Some $25 million in cash.
- The forgiveness of $11 million in federal loans.
- Just over 11,000 acres of tourism or homesite land on Baranof Island north of Sitka, with the Forest Service building an access road for them through the tract.
- Receipt of some 9,100 acres of timber land at Bay of Pillars on the west side of Kuiu Island just north of the Tebenkof Bay wilderness area – a bitter pill for environmentalists.
- And a 40 percent interest in the subsurface mineral rights on 15,000 acres surrounding the Greens Creek lead and zinc deposit.

Sealaska Corp. would have received the rights to the other 60 percent of the Greens Creek acreage – rights the corporation could have profitably sold to Greens Creek developer Amselco Minerals Inc. to permit possible expansion of the mine. Sealaska also would have received other subsurface mineral rights at Hetta Inlet on Prince of Wales Island and at Hobart Bay south of Juneau.

Kootznoowoo Inc., the village corporation at Angoon, also would have received land in an off-Admiralty land swap. The bill would have solved Angoon's major concern, that of protecting subsistence hunting and fishing rights on Admiralty. Angoon Native leaders for years have feared that wildlife might be harmed by logging on the island.

Chances for the bill clouded over when Murkowski learned he could not win Senate leadership approval for more than a $13 million cash settlement. The Reagan administration also suggested a veto if the monetary cost of the bill exceeded that amount. Proponents for the land swap then tried to substitute credits for surplus federal property to Shee Atika to make up the lower monetary value of the settlement.

Whether the latter approach could have been made to work was unclear when the controversy over the proposed timber amendment to the Tongass Timber Supply Fund ended chances for the bill's passage. This late in a congressional session, only legislation sporting unanimous agreement from major parties has a chance of approval.

Clark said the industry's amendment was only a "modest" amendment that would not have killed overall federal support to the region's timber industry. He said the amendment for five years would have diverted part of the $40 million a year Congress placed in the timber supply fund to help the existing pulp mills with high road costs to get to timber guaranteed them under 50-year contracts.

"It was an amendment that would have addressed environmentalists concerns that Forest Service money was going to build roads for sales that weren't needed. Under this amendment every dime spent would have gone only for roads to log timber that has already been sold," said Clark.

Koehler, however, said such logic was ridiculous. He said according to a letter from the Forest Service, the timber amendment might have cost an extra $41 million this year and an additional $40 million annually so that the Forest Service could continue with programs currently funded by the supply fund.

"The taxpayers would have been 'beaten to a pulp' by these additional road building expenditures," said Koehler.

Clark, however, said environmentalists simply didn't want to let the amendment pass since they plan a major campaign next year to get Congress to repeal the timber supply fund. "They simply didn't want to do anything that might be considered as acceptance of the supply fund concept before attempting to kill it," he said.

David Johnson, an attorney for Amselco in Denver, said this morning the mining firm was disappointed by the death of the bill since the company had worked hard to reach agreement with Sealaska over terms of a royalty arrangement governing mining, should Sealaska have gotten title to the land surrounding the current mine site.

Jno Empire
10/15/86

B

City of Hydaburg
Box 49
Hydaburg, Alaska 99922
(907) 285 3761

MEMORANDUM

Date: June 26, 1990

To: Bart Kohler, Southeast Alaska Conservation Council

From: Adrian LeCornu, City Council Member

Subject: **NUTKWA AND HETTA: Two Areas Important to the People of Hydaburg**

You stated to me that there would be a Congressional hearing on the 28th of June to discuss the proposed Green's Creek land exchange involving Sealaska and the Federal government. Two areas mentioned for possible exchange are Nutkwa and Hetta; two areas vitally important to the people and culture of Hydaburg.

NUTKWA

The City of Hydaburg has consistently expressed its support for the protection of the Nutkwa Lagoon area from timber harvesting. We continue to support any proposal which would spare Nutkwa from the axe.

Nutkwa Lagoon is the habitat of four anadromous fish streams:

CATALOG #	SPECIES PRESENT
103-21-005	Pink, Chum, Cut Throat
103-21-008	Pink, Chum, Coho, Sockeye, Steelhead, Cut Throat, Dolly Varden, Rainbow
103-21-012	Coho, Pink
103-21-015	Pink

These stream supports a large commercial salmon fishery, the most important for the people of Hydaburg. This area has been noted and commented upon as our 'bread and butter area.'

The State of Alaska's Southwest Prince of Wales Island Area Plan for State Lands published by the Alaska Department of Natural Resources states that "...only seven other streams in the southeast Region have escapements over 250,000 pinks." (Unit 19: page 3-115). Nutkwa Lagoon is a very important producer of salmon. In addition, the lagoon provides overwintering habitat for the Trumpeter swan.

B

HETTA

Hetta is habitat for the following anadromous fish stream:

CATALOG #	SPECIES PRESENT
103-25-047	Pink, Chum, Coho, Sockeye, Steelhead, Rainbow Trout

The Hetta Lake area is an Area Meriting Special Attention within the Alaska Coastal Management Program. The basis of designation is the importance of the area for traditional and customary subsistence harvest of fish and wildlife, historical significance, and recreational values. The protection of habitat values for the preservation of the native sockeye runs is of utmost importance. Hetta is the site of petroglyphys and a graveyard. Historically it has been the site of fish camps and family gardens.

To illustrate the relationship of Hetta to the people in Hydaburg, I have enclosed is a copy of a lease between Moses C. Quicket, "a Hydah of Hetah," and the North Pacific Trading and Packing Company for Hetta Creek dated 23 June 1894. This lease shows that title to Hetta was recognized as the family property of Mr. Quicket (Koolkeet). This copy came from the National Archives in Washington, D.C., Record Group 48, Box No. 2, Entry 825 in the Records Concerning Claims of Natives of Southeast Alaska 1942-1948. The descendants of Koolkeet still claim Hetta. The original deed was reported lost in a fire at the residence of William Paul, an attorney representing Haida interests in the United States Court of Claims, to establish the aboriginal claims to southeast Alaska.

I hope this gives you some idea of the significance of these two areas to this community.

JUN 26 '90 09:14 FWS JUNEAU P.1/2

(B)

BALD EAGLE NESTS

FAXFORM

U.S. Fish and Wildlife Service
P.O. 021287
Juneau, AK 99802
(907) 586-7240 COMM.
(907) 586-7154 FAX

TO: Bart Koehler, SEACC **FAX Phone:** (202) 547-9022

FROM: Phil Schempf, FWS **Date:** 6-26-90 **Time:** 0900

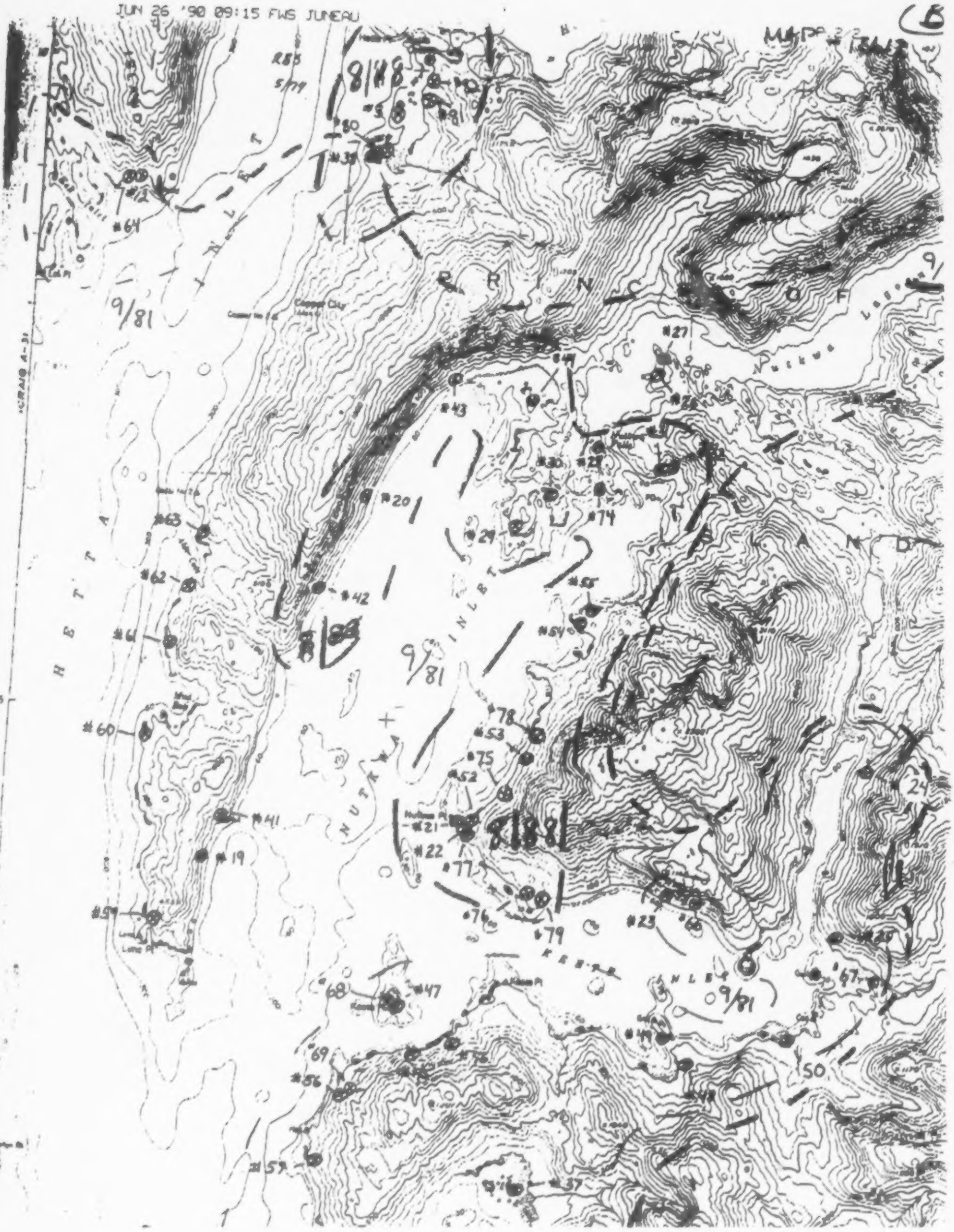
SUBJECT: Nutkwa Falls Eagles **No. of pages to follow:** 1

MESSAGE:

Known nests are shown with an "⊗", the number relates to our database. Nests along Nutkwa Inlet were surveyed in August 1988. Those in Nutkwa Lagoon were surveyed in September 1981. It is likely that additional nests were built in the intervening years. I hope this is useful.

Best regards—

JUN 26 '90 09:15 FWS JUNEAU


MAP 2
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K E G A N
I N L E T

STEVE COWPER, GOVERNOR

B

DEPARTMENT OF FISH AND GAME

SOUTHEAST REGIONAL OFFICE

P.O. BOX 20
DOUGLAS, ALASKA 99824-0020
PHONE: (907)
465-4265

June 25, 1990

Mr. Bart Koehler
Executive Director
SEACC
Washington, D.C.

Dear Mr. Koehler:

The enclosed materials are in response to your request for information on fish and wildlife values of the Nutkwa Falls area.

I have personally visited the area and can attest to its scenic and special qualities. However, my knowledge of specific resource values is limited to information obtained from other staff. I have enclosed relevant excerpts from the 1984 ADFG S.E. Tidelands Area Plan and from the DNR Southwest Prince of Wales Island Area Plan for State lands.

Perhaps more relevant to your specific request is an 8 June 1990 memo from Area Biologist Bob Wood to me. When I became aware of the potential for inclusion of this area within the Tongass through the SEALASKA land trade amendment, I requested this information from Bob.

We are also aware of the presence of bald eagles in the Falls area. For specifics, I suggest you contact the U.S. Fish and Wildlife Service (Eagle Management Studies) in Juneau (907)586-7243.

Please advise if I can be of further assistance.

Sincerely,

David A. Anderson
Regional Supervisor

cc: Norm Cohen
John Katz

(B)

MEMORANDUM State of Alaska

TO Dave Anderson
Regional Supervisor
Division of Wildlife Conservation
Department of Fish and Game
Douglas

DATE June 8,1990

FILE NO. 17.001/110.17.0

TELEPHONE NO 907-225-2475

FROM Robert E. Wood
Wildlife Biologist
Division of Wildlife Conservation
Department of Fish and Game
Ketchikan

SUBJECT: Nutkwa Lagoon

This is in reply to your request for information on the west end of the Nutkwa Lagoon. I discussed the area with other Department personnel familiar with it and these comments are mixed in with mine. The area does deserve special recognition, probably as a result of the saltchuck configuration. All other similar areas I am familiar with have very high fish and wildlife values. I think its probably because they are more fertile areas. Nutrients from fish carcasses are trapped for a longer period, bottom sediments accumulate faster, water conditions are moderated and underwater predators seem less populous. The fisheries people seem to feel fry survival is better in these areas. In particular the main Nutkwa Creek apparently produces several times more pink salmon than other similar size systems in the same general area.

The same physical characteristics which make these areas more fertile also makes them more vulnerable to the leachates from logging debris and runoff from clear cuts. The toxic leachates are held in the system for longer periods because of less flushing action and consequently end up affecting the whole system. That's why, in the Nutkwa Lagoon, logging in a small part of it could end up impacting the entire lagoon.

As far as wildlife goes, I know it is highly valuable as a furbearer area. Some of the largest marten catches I know of come from the Hetta Inlet to Klakas Inlet area. River otter are also especially abundant in this general area and their use of salt chucks is over and above most areas. Hydaburg was known for its otter trappers in the old days, probably as a result of an especially high population.

The big flat valley at the head of the lagoon also supports a large number of beaver.

Heavy use by bears is made of the fisheries resource in the main creek. The fish biologists who fly the salmon stream surveys indicate more bears/mile of creek here than almost anywhere else they survey. If development of the west end of the lagoon did occur and impact the fisheries resource, bears could be affected, even though their primary use in the east end.

(Rev. 6/79)

Ⓑ

I'm not sure where the better deer habitat is in that area, but I do know I see a lot of deer in the alpine area in Nutkwa Lagoon to Copper Mountain area to the north. Without ground time, and from maps only, it would appear the steep south facing slopes along the entire Nutkwa Lagoon should be excellent wintering habitat. It has all the characteristics of high quality wintering habitat that I am familiar with in other areas.

I am not sure what level of use the area receives from waterfowl. I would expect its very high, in light of what I know about other salt lagoons. Not only from migratory birds, but from wintering birds as well. I really never get there during the winter months, but it should support a lot of mallards and Canada geese, and it would not surprise me if it was heavily used by trumpeter swans. The other salt lagoons I know of have heavy swan use. These lagoons also seem to hold young herring at certain times and receive heavy bird use during these periods.

Sea lions I don't know about, but the Nutkwa Lagoon has a lot of seals. They haul out on the rocks and little islands a mile or two into the lagoon on the south side. I'm not sure just how logging would occur, but the seals would probably have trouble coping with the traffic and disturbance.

The area does have obvious high fish and wildlife values. Because of its restricted outlet and low flushing action, impacts from logging would probably be long lasting and affect the whole lagoon. Its very similar to a lake system in that respect. Like I sometimes say, its one of those neat areas.

FISH AND WILDLIFE ELEMENT

[illegible] TIDELANDS AREA PLAN FOR SOUTHWEST PRINCE OF WALES ISLAND

By: Alaska Department
of Fish and Game

June, 1984

(B)

Timing and spatial restrictions could mitigate impacts to this use of state concern.

Unit 19 Nutkwa Inlet

Crucial Habitats:

Thirteen anadromous fish stream outlets are included in the unit. Nutkwa Lagoon provides overwintering habitat and rearing for trout, as well as overwintering habitat for trumpeter swans, which is limited to a few areas in Alaska. Upper Nutkwa provides important rearing and schooling habitat for juvenile salmon from the productive Nutkwa system. Nutkwa Lagoon is shallow and productive, with 100% of the area less than 60 feet deep.

Two important hook-off areas for an intensive terminal purse seine fishery have been identified within Nutkwa Inlet. Nutkwa Inlet is a very important producer of salmon, containing important spawning and rearing habitat. In 1983, Nuktwa Creeks escapement exceeded 300,000 pink salmon. Juvenile salmon rear along both sides of the Inlet, at the head, and in Keete Inlet.

Prime Habitat:

The shoreline of Nutkwa Inlet is used intensively by purse seiners as far north as current fishery closures permit. A high-density use area for harbor seals exists along the north shore of Keete Inlet. Inner Keete, along the south shore of Keete Inlet, portions of inner Hassiah Inlet, and Mabel Bay are productive, shallow areas with subtidal aquatic vegetation.

Important Areas:

Harvest areas for salmon, bottomfish, shrimp, abalone, and crab are shown on the resource mapping. The entire area is used intensively for subsistence and commercial harvests.

Evaluation:

Seven LTFs and one A-frame are proposed within this unit. In addition, a need for mineral transfer facilities and potential for offshore mining have also been identified for this unit. Potential settlement uses have also been identified.

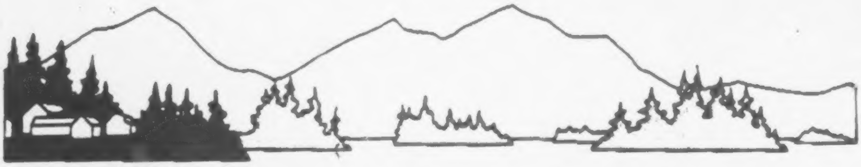
If all proposed development uses occur, cumulative adverse impacts to the existing harvest activities and to the habitat supporting the resources are extremely likely, even if measures are taken to mitigate impacts.

Interference and displacement of commercial fishing will reduce the economic returns to fishermen, local communities, and the fishing industry. Interference and displacement of subsistence users may result in reduced harvests directly or through competition with other resource users in areas not traditionally

3

Southwest Prince of Wales Island Area Plan

for state lands



STATE OF ALASKA • DEPARTMENT OF NATURAL RESOURCES

③

UNIT 19: NUTKWA INLET

MANAGEMENT INTENT

State lands in this unit will be managed to allow resource development support facilities, while maintaining some of the most valuable fish and wildlife habitats in their natural state, and mitigating impacts of development on other important habitats and uses.

Management of this unit will also recognize important mineral deposits and allow up to four permanent resource transfer sites to transport timber and minerals from the uplands. The unit will also be managed to allow A-frame breakout points in some areas.

Nutkwa Inlet is a highly productive and heavily used estuarine area where significant resource development is proposed. Therefore, management of the unit will make special efforts to address cumulative impacts of incremental development decisions to ensure the least negative impact to productivity and use of the estuary and its resources. This unit supports important runs of salmon and receives intense purse seine use and subsistence harvest of salmon, bottom fish, shrimp, abalone and crab. Nutkwa Inlet and Keete Inlet both support significant concentrations of abalone.

Nutkwa and Nutkwa Creek North, together have peak escapements of over 350,000 pink salmon. In comparison, only seven other streams in the Southeast Region have escapements over 250,000 pinks. Juvenile and returning adult salmon school along the coastline on both sides of the Inlet, where the adults are harvested by an intensive terminal purse seine fishery.

The Alaska Department of Fish and Game reports that 283 trollers and 146 purse seiners use the area from Kassa Inlet to, and including, Nutkwa Inlet. Therefore, DNR managers should consider potential conflicts with commercial fishing activities when making decisions about A-frame sites in this unit.

~~Habitat is designated a secondary use in important fish and wildlife habitat or harvest areas (Hc). This will be considered in siting and managing all activities directly related to shore-attached recreation facilities which have been designated a primary use. Appropriate siting or operating stipulations (which may include timing restrictions) will be considered to mitigate impacts on the habitat resources and to meet the management intent for this unit. Even where habitat is designated a secondary use in important fish and wildlife habitat and harvest areas (Hc) it will be managed as a primary use when reviewing proposals for uses which are not directly related to or necessary for the operation of a shore-attached recreation facility. The important habitat resources in this unit along the eastern shore~~

Southeast Alaska Conservation Council
SEACC • P.O. Box 021692 • Juneau, Alaska 99802 • (907-586-6942)

Washington, D.C. Office:
c/o National Audubon Society
801 Pennsylvania Avenue, S.E.
Washington, D.C. 20003
(202-547-0141)

7/11/90

The Honorable J. Bennett Johnston
U.S. Senate
Washington, D.C. 20510

Dear Senator Johnston:

I hope that you will accept these brief follow-up comments concerning your June 28th, 1990 Hearing on potential land exchanges involving Greens Creek and Lake Florence. Please make these comments part of the official hearing record.

During their hearing statement comments, Ketchikan Pulp Corp. greatly overstated the actual amount of area that has been made "unavailable" for their timber harvesting activities.

The most glaring overstatement was that over 2.2 million acres of the Misty Fjords National Monument were made "unavailable". The fact is that Misty Fjords was never part of KPC's contract area. (Even if you accepted their statement, only 165,000 acres of Misty Fjords qualify as potentially "harvestable" timber. And, of this amount only 12,600 acres are economically valuable and harvestable.)

Second, KPC claimed that the Outside Islands were made unavailable by the Senate-passed Tongass Bill. You should know that none of the islands were included in the most recent KPC Life of the Sale Plan of operations.

These two examples are the worst; but if need be I'd be happy to point out the details of a number of problems with their other listings.

Thank you for your time.

Sincerely,

Bart Koehler

Bart Koehler
Executive Director

PELICAN FORESTRY COUNCIL • FRIENDS OF BERNERS BAY, Juneau • WRANGELL RESOURCE COUNCIL • SITKA CONSERVATION SOCIETY
FALSE ISLAND-KOOK LAKE COUNCIL, Tenakee Springs • LYNN CANAL CONSERVATION, Haines • TAKU CONSERVATION SOCIETY, Juneau
NARROWS CONSERVATION COALITION, Petersburg • FRIENDS OF GLACIER BAY, Gustavus • TONGASS CONSERVATION SOCIETY, Ketchikan
ALASKA SOCIETY OF AMERICAN FORESTDWELLERS, Point Baker • JUNEAU GROUP SIERRA CLUB • YAKUTAT RESOURCE CONSERVATION COUNCIL